U.S. News & World Report

JANUARY 28, 1955 20 CENTS

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"Workers' Paradise"

IN Russia, where "everything is for the workman," workers don't own their own homes; they are *told* where to live . . . often an entire family in one tiny room.

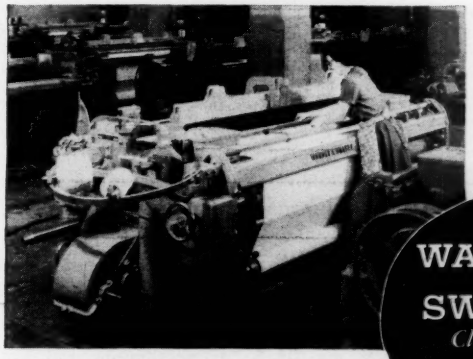
In America, where (according to the communists) "the worker is exploited by capitalists," 22,800,000 families (*57% of all families*) own their own homes —and they are *homes,* not single rooms. Those same Americans own 75% of the world's automobiles and by far the majority of all the world's bathtubs and toothbrushes.

American workmen also are equipped in factories with most of the world's best machines.

The connection is obvious; the result inevitable.

Then hadn't American workmen better *use* their machines to best possible advantage and so *keep* their homes, bathtubs and standard of living?

Source of statistics: Automobile Facts & Figures, 33rd Edition, 1953, Automobile Manufacturers Association.



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IN THIS ISSUE

★ Confused by Your New Tax Form?

Running into trouble trying to decipher your income tax form this year? If so, you'll want to read this article on what may become the worst tax muddle in years—page 128. Also in this issue: Another tax that you may owe without being aware—Social Security for your part-time maid, though you employ her only one day a week. Page 40.

★ Behind the Big Maneuvers in the Arctic

For the inside story of what's going on around the North Pole, and what to expect there in wartime, see this interview with the top U. S. military expert on the Arctic, page 28.

★ The Price Colleges Pay For Winning Football

This is the detailed report, just made public, on methods a college accrediting association says are used to build a top-ranking college football team. Starts on page 54.

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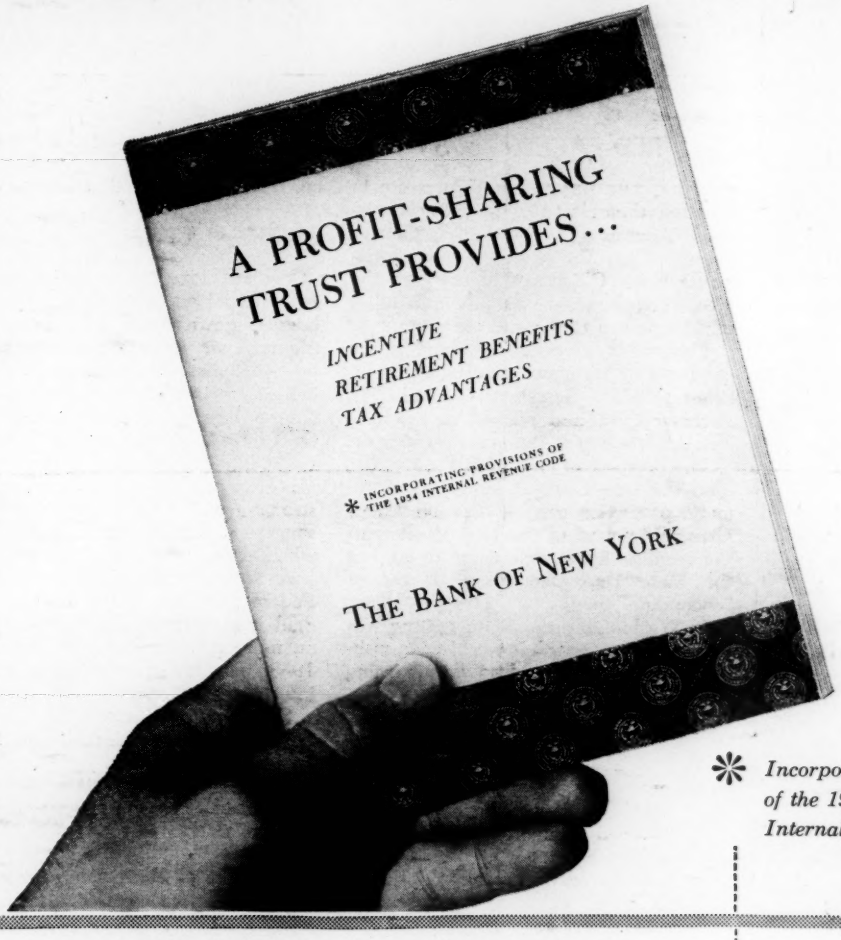

* *Incorporating provisions of the 1954 Internal Revenue Code*

Under the new provisions of the 1954 Internal Revenue Code, profit-sharing trusts have become even more attractive. The growing popularity of this method of compensation is evidenced by the fact that plans are being submitted to the Commissioner of Internal Revenue for tax exemption at a rate four times greater than five years ago.

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The booklet illustrated above points out specific advantages available through profit-sharing trusts. Particular reference is made to the possibilities for savings and investment before the impact of taxes under such plans.
Copies are available on request.

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RED-FACED REDS

FEELING THE HEAT of U. S. pressure to obtain the release of illegally imprisoned American airmen, Red China's Premier, Chou En-lai, tried a new propaganda twist. China would not free the men now, he said, but their families might come to China and see them.

This modern version of moving the mountain to Mahomet was suggested by Chou to U. N. Secretary General Dag Hammarskjold, and relayed to the anxious families by the Defense Department.

The prospect of an 8,000-mile trip behind the Iron Curtain, where no diplomatic protection can be afforded Americans, did not seem practical to many of the families. Some were eager to go, but the State Department said it cannot "encourage" them.

In Washington, the Chou gesture was regarded as a sign that world-wide publicity about the prisoners was causing red faces in Red China.

SURPRISE PARTY

PRESIDENT EISENHOWER walked into a "secret" meeting of the National Security Council on January 20 and found the members had been keeping a secret from him. Packed into the room were Cabinet members, White House aids and Mrs. Eisenhower—gathered for a surprise party to celebrate the first day of Mr. Eisenhower's third year in office.

Some anniversary cheer came, too, from the President's physician, who pronounced Mr. Eisenhower's health "excellent" after two years in his grueling job.

At his weekly news conference, the President cited accomplishments of his Administration at home and abroad. But when a reporter asked the President about his hopes for the next two years, "or maybe even the next six," Mr. Eisenhower smiled and said the question was "loaded."

PROBLEM FOR U.N.?

THE UNITED NATIONS, frequently bypassed in recent years when international problems were hottest, was back in the thick of things. President Eisenhower said, in answer to a question, he would "like to see" the U. N. try to arrange a cease-fire between Nationalist China and Red China.

British representatives announced they had been studying the idea of placing the problem before the Security Council.

Several hurdles stood in the way of effective U. N. action. Red China was committed to claiming Formosa. And Russia, a member of the Security Council, was allied with Red China.

THE LATTIMORE CASE

ATTEMPTS TO BRING Owen Lattimore to trial on charges of perjury were bogged down again. Mr. Lattimore is the university professor who was pictured by a Senate committee as having helped to shape U. S. State Department policy on China in the years before the Communist take-over of that nation. In 1952, the Senate committee called Mr. Lattimore "a conscious articulate instrument of the Soviet conspiracy," and suggested that a grand jury consider whether he had committed perjury.

A series of legal battles followed. Federal District Judge Luther Youngdahl, who dismissed the key counts of an indictment against Mr. Lattimore in 1953, now has quashed a new perjury indictment.

Still pending against Mr. Lattimore are five counts of the earlier indictment.

"PAINLESS" TAXES?

BURIED IN THE STATISTICS of the President's budget message to Congress was a note of cheer for 35 million taxpayers in the lower brackets. If Mr. Eisenhower has his way, these individuals will fill out a simple form, and the Federal Government will figure out their taxes, send back either a refund or a bill.

Only dampener: The new system probably can't start before 1957.

RULES FOR RUSSIANS

IN ANOTHER MOVE to make it a little less easy for Soviet representatives to get vital data, Russians were barred from photographing or sketching strategic U. S. areas. The action followed an earlier State Department ban on travel by Russian citizens in "off limits" areas.

Meantime, a reporter for Tass, the Russian news agency, still covered Secretary Dulles's press conferences regularly, operating from a desk in the State Department newsroom. This was in spite of a ban by the Department of State Correspondents Association, which once admitted the Tass correspondent to its membership, but decided about three years ago to deny him its privileges.

Tass correspondents also continued to gain unquestioned admittance to the White House and Congress, with press cards issued for each, and one was a member of the National Press Club.

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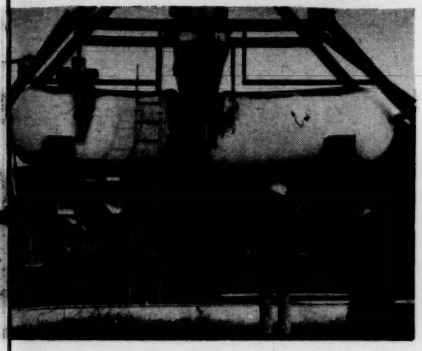

Where's the Fire? This truck will be fighting fires for a long time to come, because the all-steel construction makes it rugged and tough. U. S. Steel Supply Division supplied 11 different types of steel to the manufacturer. At U. S. Steel Supply, you can buy any kind of steel—from a pound to a carload.

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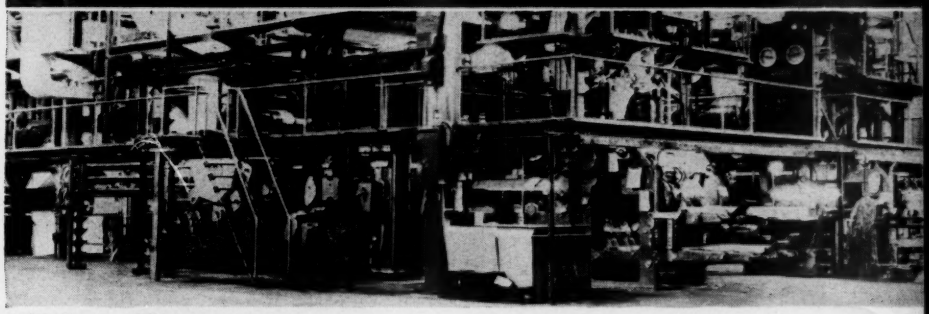
*Trade Mark



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Washington Whispers®

[Items appearing on this page are reported in Washington and other news centers]

Ike Wants Cabinet to Stay . . . Easy Housing Credit Worries Economists . . . No Ransom to Reds: Dulles

Chou En-lai, Communist China's Premier, is expected in months ahead to begin releasing some U. S. prisoners of war for the simple reason that the Communists are losing in propaganda effect, rather than gaining, by keeping all of these prisoners.

★ ★ ★

John Foster Dulles, Secretary of State, is adamant in opposition to payment of ransom to Communists in exchange for imprisoned Americans.

★ ★ ★

Dag Hammarskjold, U. N. Secretary General, was not invited to tell any committee of Congress about his trip to China because members of Congress are wary of the slightest suggestion that they might be considering some kind of deal with the Communists.

★ ★ ★

Charles E. Wilson, Secretary of Defense, was speaking only for himself, and was not voicing a new Administration policy, when he suggested that something might be gained by reviving U. S. trade with Communist countries. The White House remains opposed to expanding such trade.

★ ★ ★

Communists of China are so hard pressed for industrial goods that they strip down refrigerators, sold to them by some nations as nonmilitary items, just to get the compressors from the refrigerating machines. The compressors then are put into equipment that is considered more vital.

★ ★ ★

President Eisenhower is reported to have expressed a hope to all members of his Cabinet that they stay on for the next two years. The President said it would be a "source of pride" to be able to keep the "same team" for the remainder of his term.

White House aides note that President Eisenhower isn't the least disturbed when visitors propose that he consider a second term. They say that a few months ago the mere suggestion of another term tended to arouse his ire.

★ ★ ★

Herbert Brownell, Jr., Attorney General, has given the first of what will be a series of dinner-seminars for young Republicans in Government who are expected to develop into future leaders, Mr. Eisenhower hinted that it would be a good idea for Cabinet officers to hold such seminars.

★ ★ ★

Earl Warren, Chief Justice of U. S., finds it is difficult to convince Democrats that he is completely insulated against political lightning. Democratic leaders continue to be wary of a plan to have the Chief Justice appear before Congress to outline the situation in the courts of the land, out of concern that a man in this office may have political appeal.

★ ★ ★

Walter Reuther, president of the United Auto Workers, is being credited with starting a report that Henry Ford II was prepared to accept a guaranteed annual wage for hourly paid workers. It is pointed out that a company would hardly agree to a main point of dispute even before bargaining sessions open with a union.

★ ★ ★

Graham Barden. North Carolina Representative and chairman of the House Labor Committee, finds that his hold on the Committee is weakened by appointment of new members who are classified as more "liberal" on labor issues than the chairman. This House Committee, in the past, has blocked a good many things that labor leaders want.

Career officers of the U. S. Army are highly critical of the Army's civilian leadership for naming so many uniformed officers involved in handling the case of Dr. Irving Peress, while naming only one civilian, John Adams. Uniformed officers involved, down to warrant grade, were put in the record.

★ ★ ★

Mr. Eisenhower has revived the system of "planted questions" in press conferences as a means of assuring himself of a chance to discuss whatever subject is regarded by him as important. This system was used successfully by President Roosevelt and is regarded by President Eisenhower as working well now.

★ ★ ★

Sam Rayburn, House Speaker, who is running Democratic strategy in Congress—both for Senate and House—is becoming interested in a move, later in the session, to increase personal exemptions from income tax. A White House veto of such a bill would throw on Republicans responsibility for holding up a tax cut.

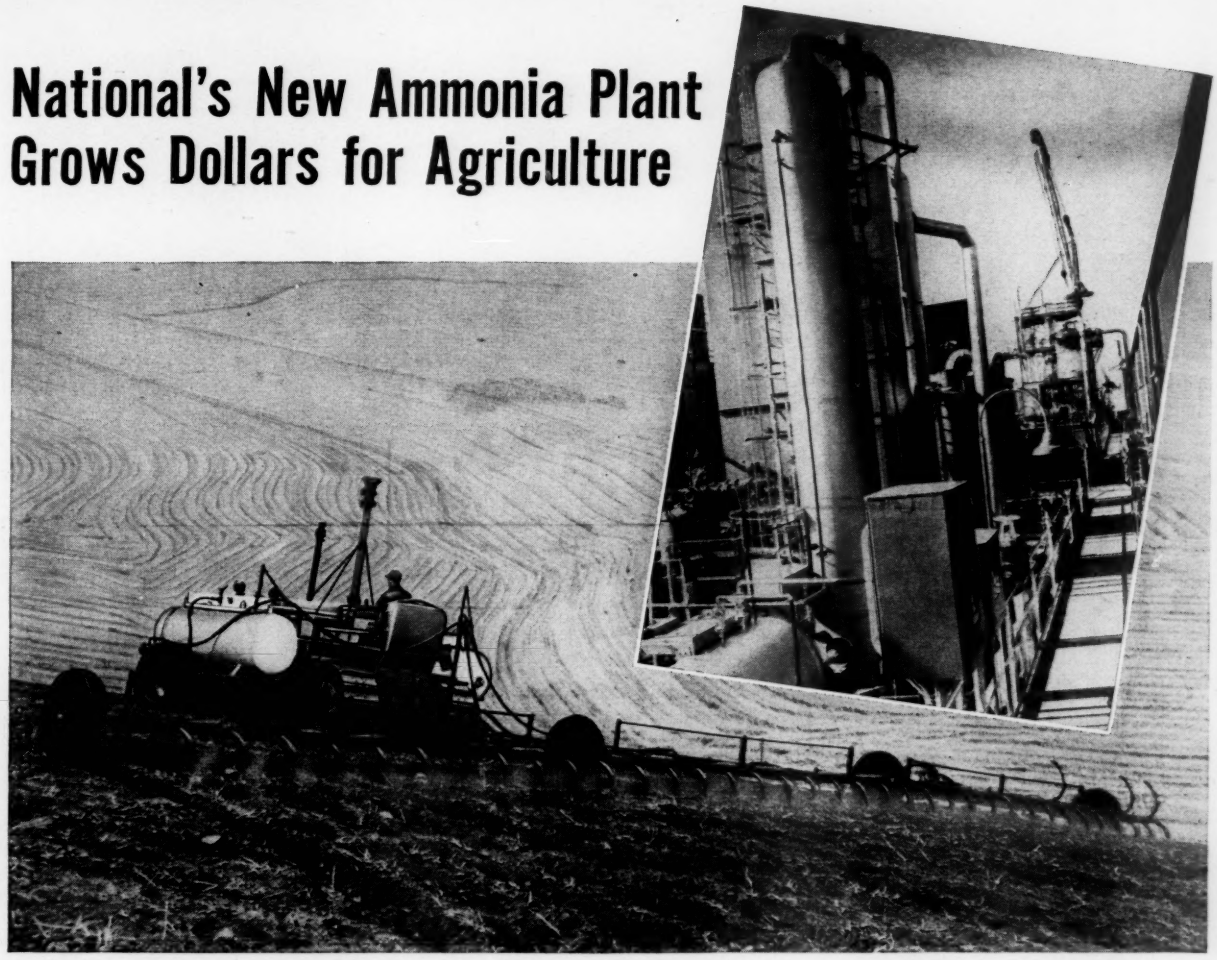
★ ★ ★

The President is showing interest in a plan to provide up to 25 million dollars annually in scholarships for about 40,000 youths who come out on top in competitive examinations in the arts and sciences. This plan would take the place of the GI Bill of Rights as a source of help for youths seeking a higher education.

★ ★ ★

Arthur Burns and the Council of Economic Advisers, which he heads, are concerned about the very sharp rise that is occurring in the use of mortgage credit on extremely easy terms. The boom in residential housing is beginning to be viewed somewhat critically.

National's New Ammonia Plant Grows Dollars for Agriculture



The American farmer is demanding more and more nitrogen fertilizers . . . and with good reason. If his land lacks nitrogen, ammonia's chief ingredient, the fertilizers not only *increase* his yield, but often *double* it. No wonder he takes all he can get.

To help meet a demand which has increased 10-fold in the last five years, the new ultra-modern ammonia plant of National Distillers' U. S. Industrial Chemicals Co. division began production recently at Tuscola, Illinois, with initial capacity of 50,000 tons a year. Strategically located in one of America's great farm regions, the plant will be a major source of fertilizer nitrogen compounds. Its giant cousin next door, National Distillers' subsidiary—National Petro-Chemicals, supplies the hydrogen from which its anhydrous ammonia, nitric acid and ammonium nitrate solutions are made.

Industry, too, is taking increasing amounts. For example, the newer textile fibres like nylon and Orlon are partly based on ammonia. And it is widely used for synthetic resin production.

Today, this is only one of National Distillers' diversified activities, which include production of important petrochemicals, solvents, intermediate and finished chemicals — all serving the nation's growing consumer and industrial needs.

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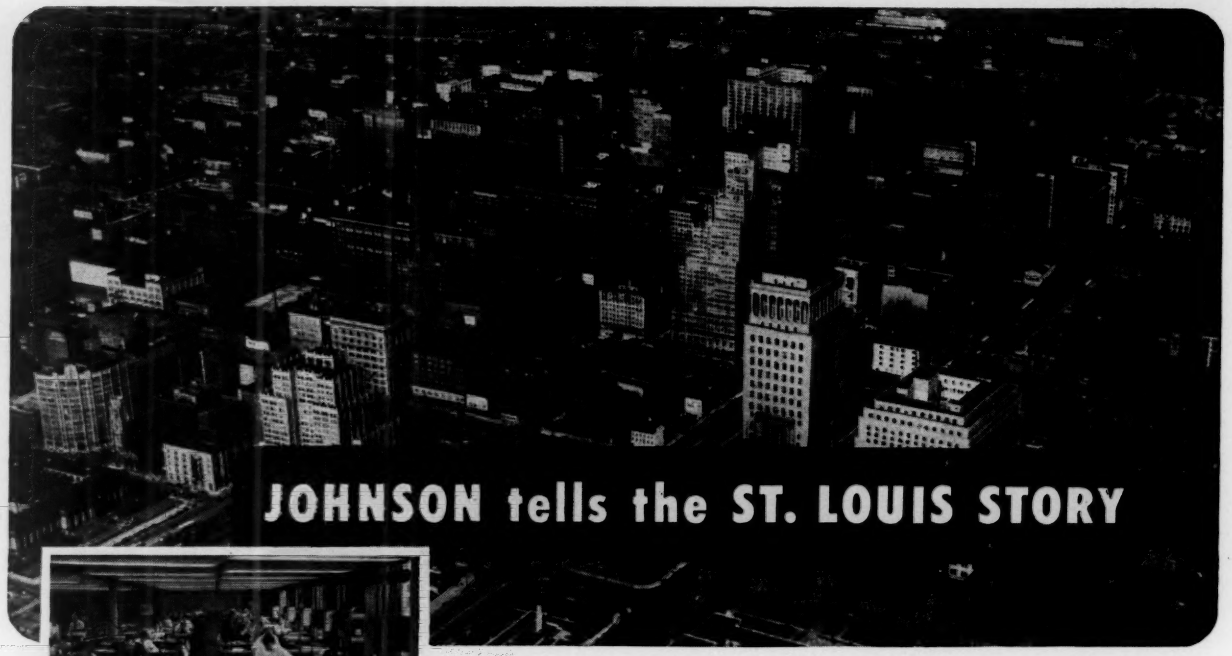

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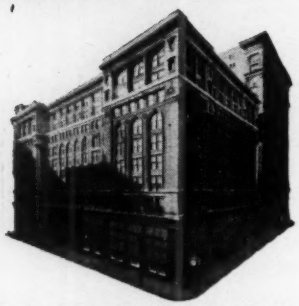

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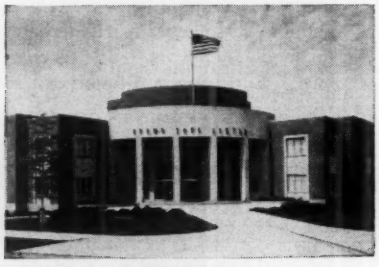
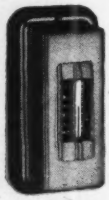


BROWN SHOE COMPANY



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The roster of St. Louis industrial buildings equipped with Johnson Control includes such famous names as Monsanto, International Shoe, Universal Match, Ford, McDonnell Aircraft, Bemis Bag, Brown Shoe, Chevrolet, National Biscuit, Alcoa and scores of others.

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This will help you size up the outlook in the newest war area:

Cease-fire around Formosa is unlikely. Communists will balk at it.

Communists, probably, will win coastal islands held by Nationalists. U.S. will not help Chiang Kai-shek defend these islands. U.S. Navy, quite probably, will help evacuate non-Communist forces in event of need.

Formosa, and nearby Pescadores, will be defended by U.S.

Communist attack on Formosa seems improbable. U.S., talking peace now, will hit back if Communists insist upon an invasion attempt against Formosa.

Atomic weapons, even little ones, are ideal against invasion forces.

A deal, arranging a truce on the basis of United Nations membership for Communist China, a separate status for anti-Communist Formosa, is improbable. Communists are very unlikely to buy it, even if U.S. and Britain would.

Formosa, defended by U.S., ties down large Communist armies, keeps them from mischief elsewhere. Military considerations, not diplomatic moves, will dominate U.S. policies in that particular part of the world.

U.S., favoring peace, is in a strong position. Communists, waging war, obviously are warmongers and in a weak position before world opinion.

Communists, too, holding American soldiers as prisoners against all of the rules, have a hard time making themselves out as lovers of peace.

The propaganda tables are beginning to be turned somewhat. That's why Communists are stirring around to do something about Americans they hold.

Peace and prosperity are themes Ike will push in his second two years.

Prosperity seems assured for 1955 and part of 1956. Peace, in the sense of absence of big war, probably is assured for both years.

Why take a chance with change? That's what Republicans will ask the voters in 1956. Eisenhower, barring accident, almost surely will be running. Democrats, somewhat embarrassed by lack of popular issues now, may be more embarrassed 18 months from now if Ike's formula works and if ne runs.

Prosperity timetable, short term, is likely to be this:

Spring, 1955--Rather strong rise, most trends up, strike threats in autos and steel a factor in speeding the rise somewhat.

Summer, 1955--A leveling-out period, even some slowing. Strikes, if they come, will cause temporary slowing. If avoided, stocks of goods built up in anticipation of strike may be worked off, with current output lowered.

Late summer and autumn, 1955--A renewed rise.

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Winter and spring, 1956--A period of good times. Cycle turn upward, under way now, will carry at least through the spring of 1956.

After that--Less clear, related in part to what Government does.

To keep business active through 1956, Eisenhower wants these things:

Tax cuts to be effective on 1956 income of individuals. More changes in tax laws to encourage venturing and investment by rewarding success.

Spending by Federal Government to be held at about present levels.

Public works, highway building, school building to be encouraged by creation of new borrowing authorities, by more federal aid.

Money and credit to be kept adequate, even abundant, and cheap.

That's the Eisenhower formula for longer-range good times. Emphasis by Government will be upon tax cutting, rather than spending rise, to give a lift to business when and if things do begin to slow.

Private business, basically, is expected to assure prosperity.

Government, under the Eisenhower concept, is to assure a good climate for business, to avoid policies that alarm or hamper businessmen.

Businessmen are being assured of a friendly Government.

Speculation, if considered excessive, will be frowned upon.

Excessive speculation is listed as a danger to the Eisenhower formula. Speculation is regarded as excessive when people take more chances than they can afford, when they may be badly hurt if everything's not always going up.

Stock-market rise or decline will not be resisted so long as it reflects judgment of investors based upon earnings or dividend prospects. It's when a speculative fever takes over, when people borrow to put money on a hot tip that the official concern begins to show itself.

Public attitudes, more than the level of prices, are being watched.

Outlook over the next 12 months is for moderately higher profits, for moderately higher dividends in many parts of industry, many companies.

Trends upward may reflect themselves in a higher general price level in the stock market. There is no assurance, however, that all stocks will share in the rise. A swift new rise, like that of recent months, is regarded as unlikely; is probably to be frowned upon officially if it should appear.

Boom in housing is beginning to be viewed somewhat critically, too.

Housing starts, up sensationally, are coming in the face of signs that vacancies are growing in apartments. Apartment vacancies, if increasing, will lead to rent cuts, open or disguised. Cuts are showing here and there.

Lowered rents could reduce some of the enthusiasm for house buying.

Another big year for residential building is assured. There are signs, however, that houses may not sell as easily throughout 1955 as they did all through 1954. Severe competition and price cutting could develop.

George Humphrey, Treasury Secretary, remains the No. 1 adviser to Ike on economic policy at the halfway mark. Mr. Humphrey is conservative, wary of policies that might generate new inflation. The goal is one of continued good times, without revived boom and rising costs of living.

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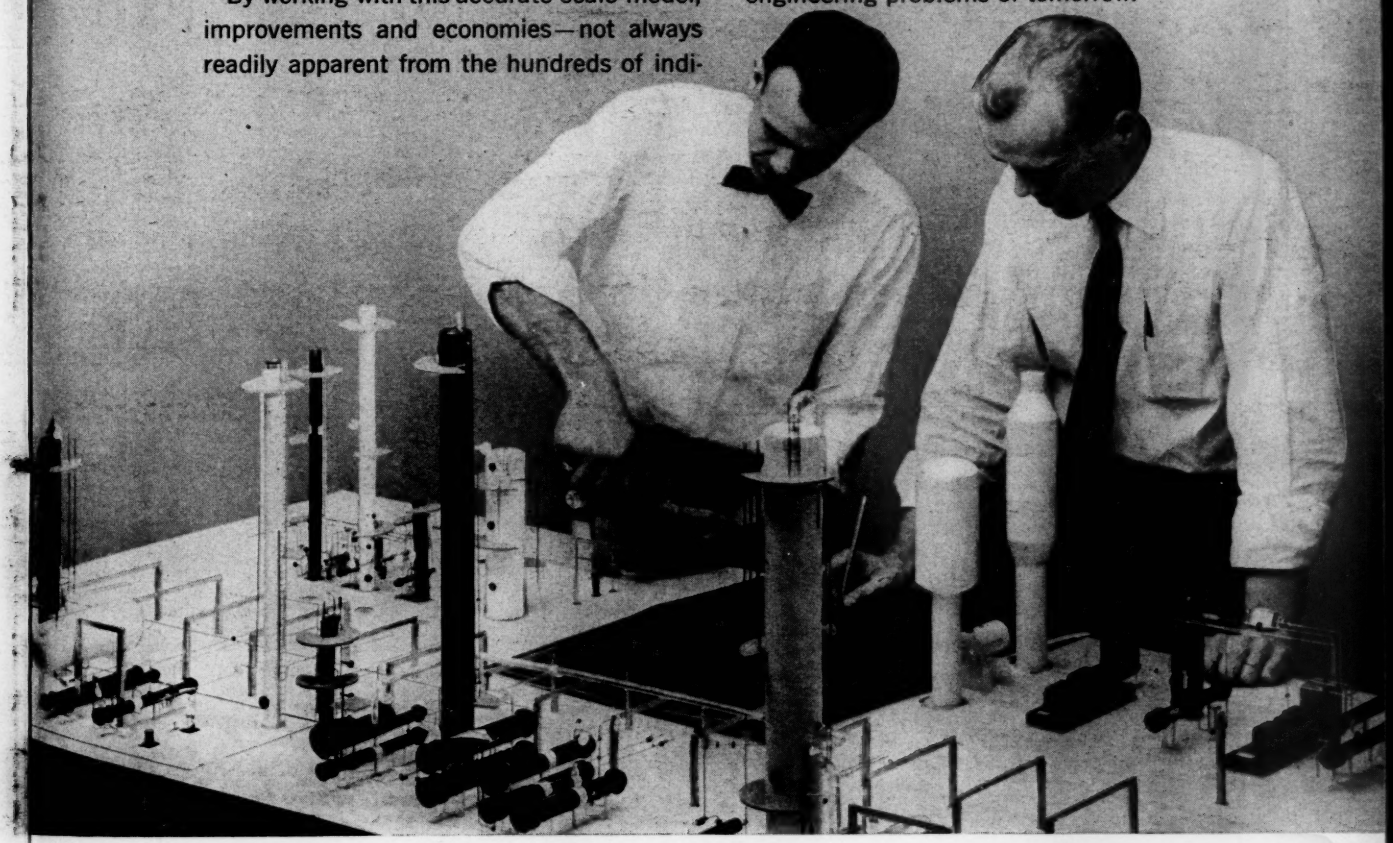
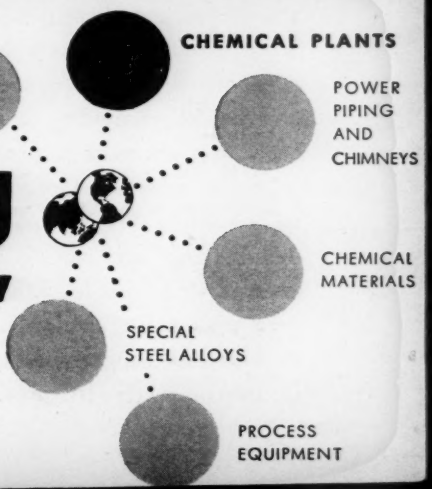
Three-Dimensional Blueprint

This is a very special-purpose model . . . of a new type petrochemical plant now being process engineered and designed by The M. W. Kellogg Company for a major oil company. Built as the engineering progresses, it provides an easy-to-grasp, three-dimensional picture of the miles of complex processing piping . . . the largest and most complicated phase of the construction.

By working with this accurate scale model, improvements and economies—not always readily apparent from the hundreds of individual working drawings of the pipe layout—can be quickly spotted and executed before construction is under way.

If you are considering an investment in petrochemicals, The M. W. Kellogg Company—world's leading designer and builder of petroleum refineries and other complicated processing plants—welcomes the opportunity to show you how it can solve your engineering problems of tomorrow.





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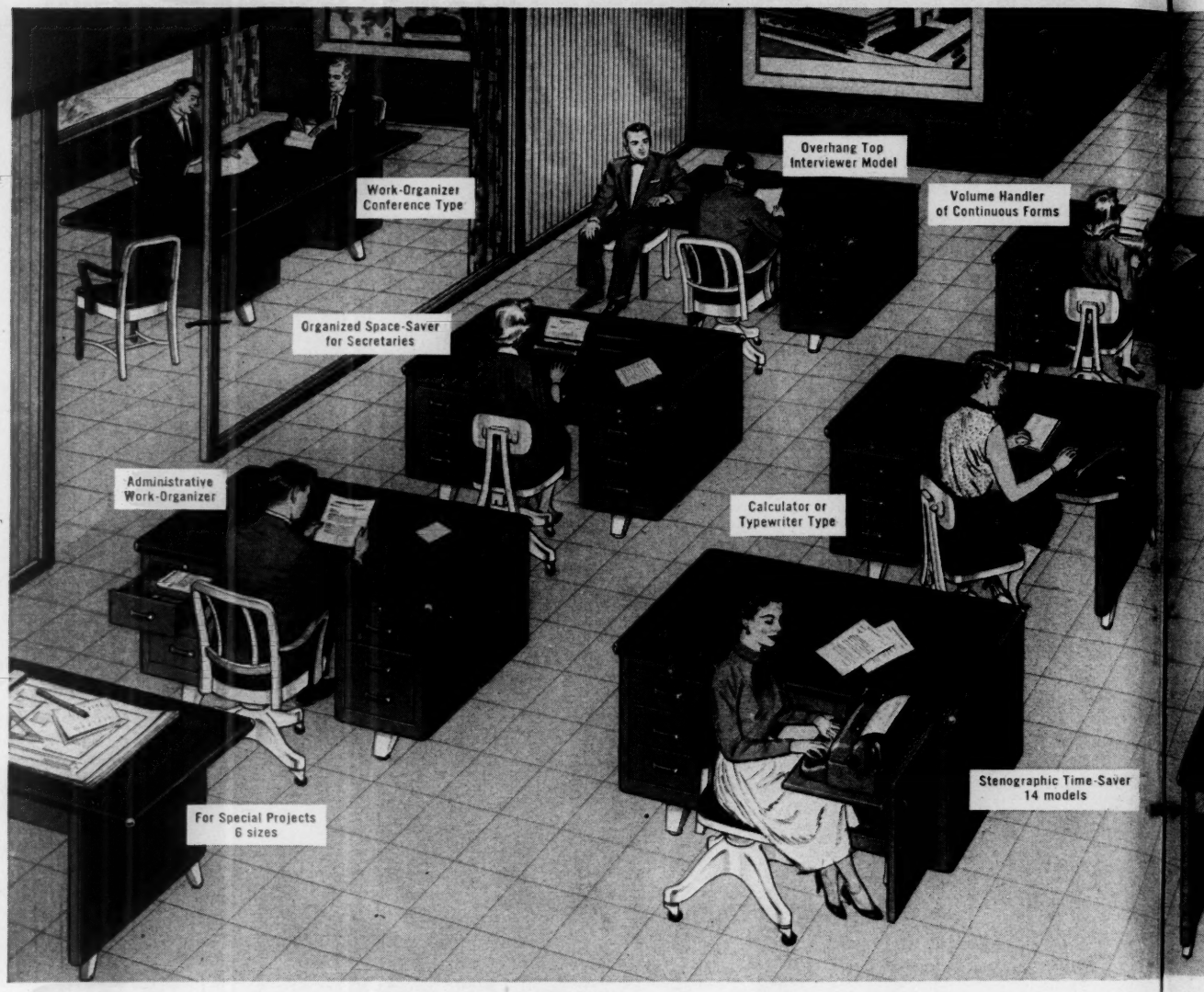


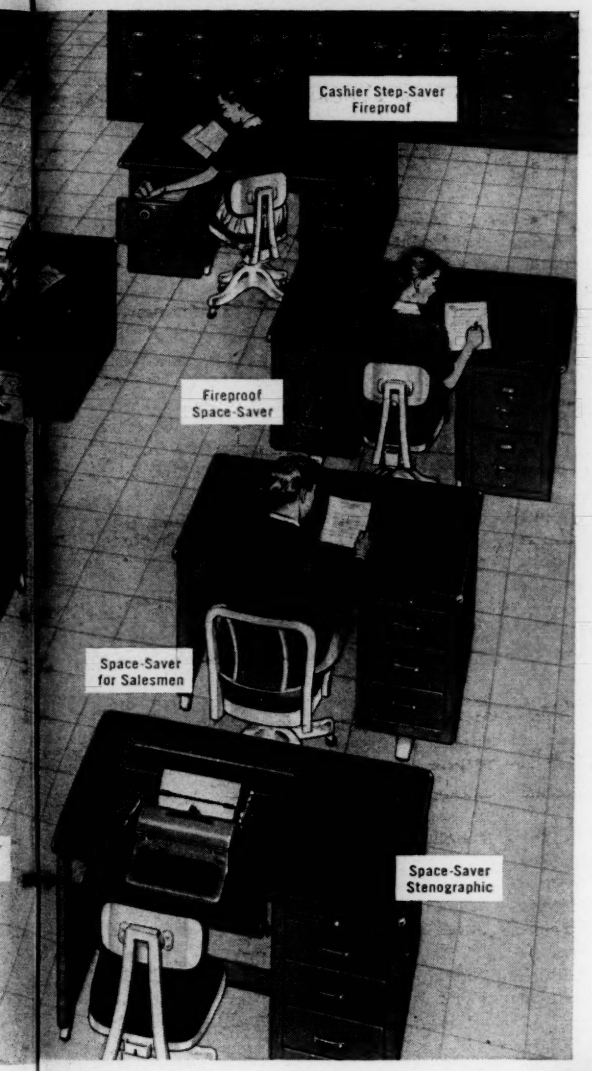
Today—these are the Profit Tools of

IN BUSINESS today time is the critical factor. Never before in the history of American business has the handling of detail been so important a problem.

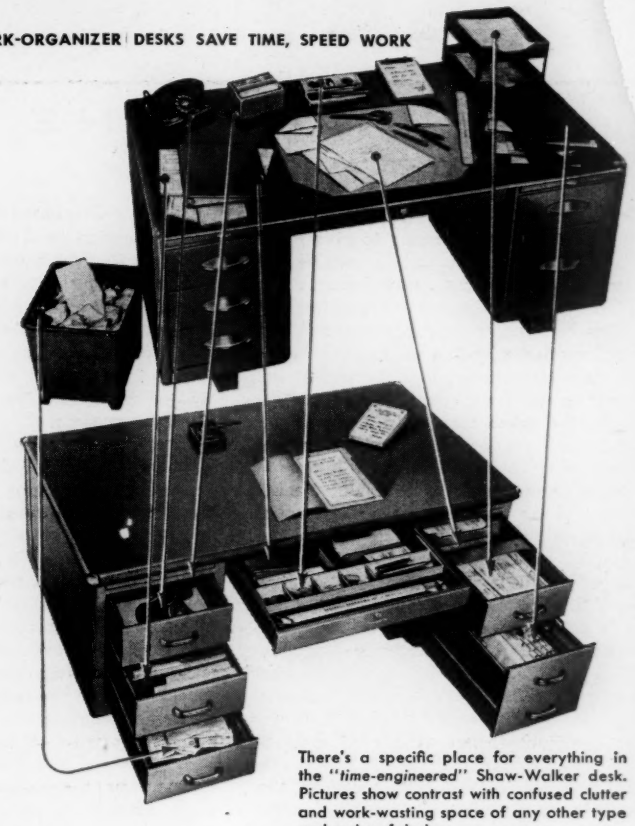
In the process of organizing and handling this multiplicity of detail there are consequential savings to be made. Efficiency here makes for economy. The savings from economy go entirely and directly to profits—a small percentage, perhaps, of sales, but often a considerable percentage of profits.

But even more important, the efficient use of these tools does two things: It makes possible an orderly flow of information essential to management in meeting the changing problems of our times and frees more time of management to manage.

Since 1899 Shaw-Walker has been originating and perfecting these profit tools of management: the organized desk; the posture chair that prevents 4:30 fatigue; "*time-engineered*" filing cabinets, payroll equipment, and devices to facilitate recording, filing and finding of records; Fire-Files that make records secure and protect them from fire. Everything for the office except machines, over 4,000 items:



WORK-ORGANIZER DESKS SAVE TIME, SPEED WORK



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New stylized line! Now 76 models.

FOR THE EXECUTIVE—MORE TIME TO MANAGE

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Management

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PEOPLE ★ ★ ★

OF THE WEEK

› CLARENCE CANNON (Dem.), of Missouri, is getting ready to give President Eisenhower's budget a considerable amount of changing. As chairman of the House Appropriations Committee, he holds immense power to tomahawk Administration spending plans. Last week, he gave clear notice that the budget will come in for some rough treatment.

At the same time, Mr. Cannon was realigning manpower on subcommittees, reshuffling their assignments. A look at the changes suggested that Mr. Cannon was picking lieutenants who agree with his ideas on many items in the budget. The prospect was that some appropriations would be increased and military spending would get a going over.

Mr. Cannon is a master of using parliamentary rules to best advantage. He is regarded as one of the world's foremost authorities on procedure, has written books and treatises about it. It was as parliamentarian at the Democratic National Convention in 1952, when he sat front and center on the platform, that television cameras made his face familiar to many Americans. Mr. Cannon, in Congress since 1923, first became Appropriations chairman in 1941.

› SIR ANTHONY EDEN, Great Britain's Foreign Secretary, now seems to be gearing his diplomatic strategy much more closely to that of the U. S. Secretary of State, John Foster Dulles.

Only a few months ago, relations between London and Washington were strained. Sir Anthony was urging the U. S. to move slowly in trying to round up a security alliance in Southeast Asia. At Geneva, he worked so hard for an armistice in Indo-China—even at the expense of giving Communism a stronger hold—that some Americans muttered about "appeasement."

Lately, Sir Anthony has become sharper toward Chinese Communists. Last week, he was warning them to be cautious, was consulting the U. S. about moves to halt fighting in a Communist attack on Chinese Nationalist islands. An old warmth was returning to British-American relationships as allies.

Sir Anthony, before World War II, won an antiappeasement reputation by resigning as Foreign Secretary to protest concessions to Mussolini. His record shows he was slow to reach that decision, had earlier tried to avoid a showdown with dictators, then, fed up, took a firm stand. Now, once more, he is getting tough after being cautious.

› ROAD BUILDER for the U. S. Government got a free hand last week to deal with Congress in expounding his views on the need for wide, strong U. S. highways. The road supervisor is **Francis V. du Pont,** looked upon by the Administration as one of America's foremost authorities on highway planning.

The highway task was handed to Mr. du Pont early in the Administration when he was appointed Commissioner of the Bureau of Public Roads. That job keeps a man tied close to administrative chores. With the President's 101-billion-dollar program for new highways headed for Congress this week, Mr. du Pont was given the title of Special Assistant to Commerce Secretary Sinclair Weeks, and the top task of developing that program.

Congressmen, interested in roads in their districts, already are besieging him. He anticipates long sessions before committees, and, if the road plan is approved, a summer of detailed work with State highway officials.

A mechanical engineer, Mr. du Pont was graduated from Massachusetts Institute of Technology in 1917. He is a businessman who headed the Delaware Highway Commission for 23 years, without pay; is proud that Delaware, in the early 1920s, was buying rights-of-way big enough for dual highways. He is 60, is a member of the Du Pont powder and chemistry family

› A YOUNG LAWYER from Boston seems to be on the way up in politics. A quiet, studious man, only 29 years old, he is **Robert F. Kennedy,** personal choice of Senator John L. McClellan (Dem.), of Arkansas, for the job of

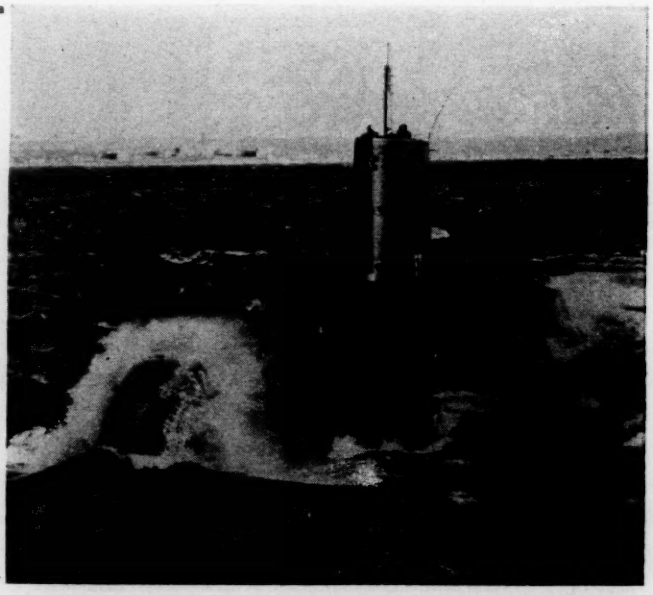
(Continued on page 18)

UNDER WAY ON NUCLEAR POWER

› SCIENCE-MINDED SAILORS are to be in growing demand in the U. S. Navy to man atomic-engined vessels. The first ship fueled by uranium, the submarine USS *Nautilus* (right), proved to be a smooth-running machine last week when **Comdr. Eugene P. Wilkinson,** the skipper, took her to sea for the first time for tests on and under the surface.

Commander Wilkinson, educated as a chemist and mathematician, studied nuclear physics for two years to prepare for this command. The 10 other officers and 85 enlisted men also had to absorb two years of special training in atomics and the operation of this engine.

More atomic skippers and sailors already are in training to man the second atomic sub, the *Sea Wolf,* due for launching late in 1955. In addition, crews will be needed for five more nuclear submarines now planned or proposed.



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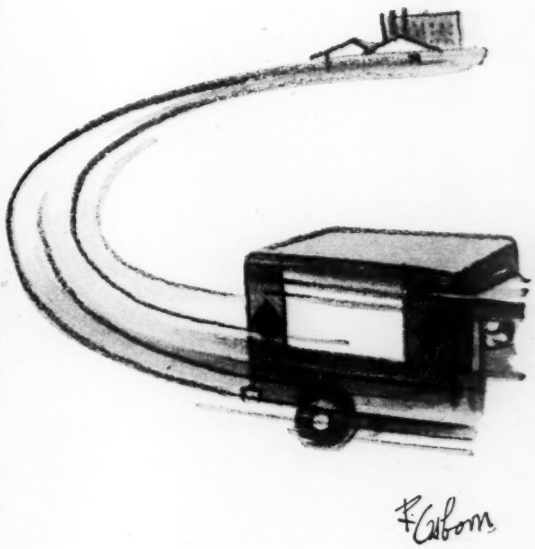

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chief counsel to the Senate Investigations subcommittee that Mr. McClellan heads.

Senator McClellan made a considerable point last week of not announcing that Mr. Kennedy was hired. Instead, he said, he would await approval by the full committee—but left no doubt that he wanted Mr. Kennedy, who already is on the committee staff.

Mr. Kennedy was educated at Harvard and the University of Virginia law school. He got a late start in college because of service in the Navy at the end of World War II, but took his law degree in 1951. As a lawyer, he first worked for the Justice Department on graft and income-tax-evasion prosecutions.

After managing the victorious political campaign of his brother, Senator John F. Kennedy (Dem.), of Massachusetts, in 1952, Mr. Kennedy was brought on the committee staff by Senator Joseph R. McCarthy (Rep.), of Wisconsin, then committee chairman. When Democrats walked out of the committee in 1953, Mr. Kennedy left, too; he came back with them, as minority counsel, a year ago. He is the son of Joseph P. Kennedy, of Boston, known in the past as a financial backer of the Democratic Party and as U. S. Ambassador to Britain in 1938-39.

➤ **THE INSIDE ADVISER,** to prevent multiple Government departments from getting their wires crossed on security-risk cases in the future, is to be a lawyer who spent 12½ years in the FBI—**Thomas J. Donegan.**

Existence of a special review unit in the Justice Department, headed by Mr. Donegan, was disclosed last week by President Eisenhower. Its establishment came in the wake of the Wolf Ladejinsky case—an instance in which a Government employe was cleared by the State Department, rejected on security grounds by Secretary of Agriculture Ezra T. Benson, then cleared and hired by Harold E. Stassen for the Foreign Operations Administration.

Mr. Donegan, the Justice Department explains, is not to have the power to impose decisions. Instead, he is to make sure that a department head, such as Mr. Benson, does not dismiss an employe without having all the facts before him. In disputes, department heads are to go over the record with Mr. Donegan.

Mr. Donegan, educated at Columbia and Fordham universities, was an FBI agent from 1933 to 1946. Since 1946, he was at times special assistant to several Attorneys General in such cases as those of Alger Hiss and William Remington—also that of the 12 top Communist Party leaders.

PRESIDENT AND PRESS: FOR NEWSREELS AND TV

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. . . Ike into U. S. homes as he talks to newsmen . . .

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. . . after the film is edited by White House aides

Putting money where it counts

American banks contribute to American leadership in office equipment production and sales

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Keeping tabs on business operations takes more than a green eyeshade today.

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American ingenuity had to come up with newer, better, quicker methods. The result is an office equipment industry with annual sales of a billion dollars plus!

Here's Where Banks Figure in

Timely loans from commercial banks help manufacturers stock raw materials, build new plants, expand old ones, establish markets.

But they don't stop there. With some business machines tagged at $10,000 or more, it costs money to buy or lease them as well as make them. Backed by bank loans, businesses all over the country are able to install the machines they need.

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Add it up. You'll find that bank loans like these help *all* Americans—including *you!* Just by putting money where it counts, your commercial banks help create: 1) better jobs for men and women, 2) returns for investors, 3) a healthier economy, and 4) better living for the American people.

The Chase National Bank, first in loans to American industry, is proud of banking's contribution to the progress of our country.

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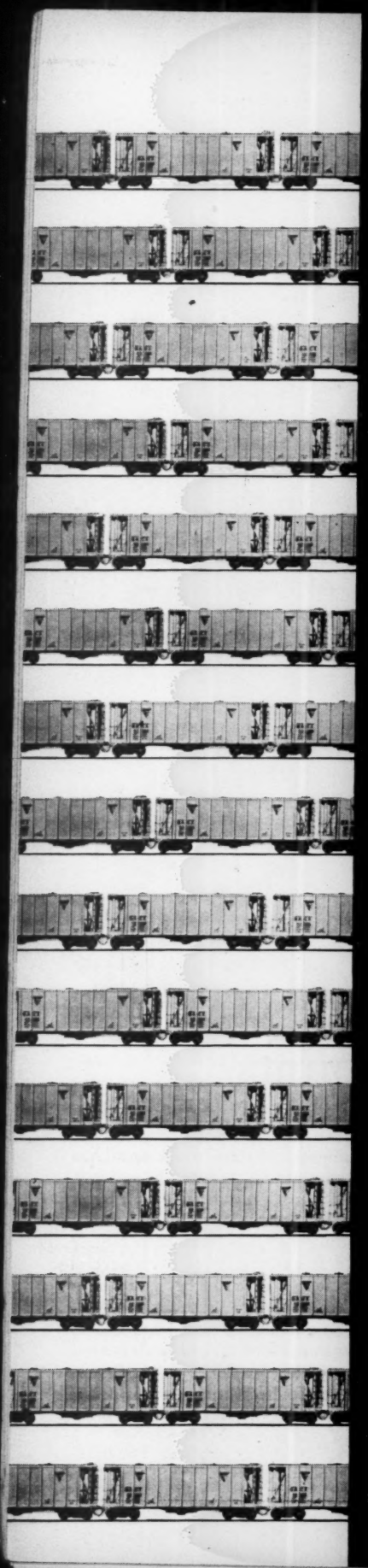

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NEW WAR IN ASIA PUTS U.S. ON SPOT

Communists Close in on Formosa . . . Will the Navy Fight?

Island war is under way off Formosa, with Chinese Communists on the offensive. It's a war that can get hotter—and fast.

Testing period is over. Communists, running out feelers to see how much U. S. will take, got their answer by seizing one small Chiang Kai-shek base. Now, with U. S. on the side lines, the strategy is to knock off one Nationalist base after another, clear the invasion routes to Chiang's stronghold, Formosa.

Big war is not fixed in the cards. Communists are aware how far they can go. Any attempt to take Formosa will mean a fight with U. S.—and the Reds know it.

TAIPEI, Formosa

The Chinese Communists have just called another U. S. bluff and got away with it.

That is the story behind the successful amphibious assault by the Reds against tiny Yikiangshan Island, one of the Nationalist-held bases lying between Formosa and Communist-held Shanghai.

The U. S. has guaranteed the security of Formosa and the Pescadores, but U. S. leaders have refused to say whether this guarantee also covers the Nationalist-held offshore islands. Idea was that U. S. silence on this question would confuse the Communists and perhaps deter them from attacking the islands.

Communists ended this guessing game on U. S. intentions by attacking. The U. S. did not intervene in the shooting war. So the Communists now appear free to gobble as many Nationalist-held offshore islands as they can digest.

Chiang Kai-shek and his Nationalists are on their own in the offshore islands unless and until U. S. military planners change the picture by declaring that some islands are vital to the defense of Formosa.

More attacks expected. A chain reaction of attacks and invasions appears almost certain to result until the Nationalists are stripped down to areas guaranteed by the U. S.

U. S. forces will not deliberately join the shooting. The U. S. could be drawn in, however, if Communists attack U. S. ships during any evacuation of Chiang's forces from offshore islands.

Air attack on Formosa, if U. S. commanders here are correctly informed, will bring automatic U. S. intervention. What form this intervention will take still is a matter of conjecture. But much of the guess work about the future course of events in this shooting war now has been made clear.

—Wide World

NATIONALIST ON TACHEN ISLAND
. . . on his own?

On the Communist side this much becomes apparent:

First, the Communists are gaining invaluable experience in amphibious and combined air-ground operations. They may not be ready yet to challenge the U. S. by invading Formosa. But the Reds are getting the know-how they will need for bigger operations in the future against better-defended islands and possibly against Formosa itself.

Second, the Communists who talk peace apparently are not ready to settle for anything less than the acquisition of Formosa, whether by force or through diplomatic negotiation.

As a result, Formosa will continue to be Asia's hot spot, a source of possible war between Communist China and the U. S.

Third, further Communist successes in island grabbing may lower morale on Formosa and lower U. S. prestige in Asia to such a point that the Reds may decide to risk war to get Formosa itself.

Basis of Red strategy. Peiping's Communist Government is well

aware of the reduction of U. S. armed strength in the Western Pacific. Large naval, air and ground forces of the U. S. have been pulled out of the Far East since the end of the Korean war. The basic U. S. plan now is to build a mobile reserve at home.

Communists, paring away at Chiang Kai-shek's islands, may get the idea that the U. S. will go a long way to avoid a shooting war in the Far East, that the U. S. may have withdrawn so much of its strength from the area that even Formosa and the Pescadores may fall to the Communists sooner or later.

The test in which Communists now are engaged thus could cost Chiang Kai-shek all of his territory save that specifically guaranteed by the U. S.

The Communists began their testing carefully.

In mid-January they struck at the Tachen islands with a 200-plane bombing raid. The Nationalists maintain a garrison of 15,000 troops on those islands.

Nationalist planes, in retaliation, struck at the mainland bases of the Communists. This was their first attack on the Communist mainland since early in December. On U. S. advice, they had refrained from such attacks. U. S. military planners, apparently, hoped that the Communists would leave Chiang's islands alone if Chiang refrained from mainland attacks.

Next move by the Communists was the amphibious assault on Yikiangshan. This island itself was unimportant. It was defended by 2,000 Chinese Nationalist troops and was used only as a base for radar warning equipment.

Risk run by the Communists in this attack was small. In the event that U. S. air and sea power moved to assist the defenders of Yikiangshan, the Communists could have withdrawn their surface units quickly and called the attack merely a hit-and-run raid.

Tachens to fall? The Communists' success in calling the U. S. bluff, however, opens a new phase of the shooting war.

What comes next is an island war between Chinese Communists and Chinese Nationalists, with the U. S. standing by, but not intervening.

President Eisenhower himself, in Washington, has declared that the Tachens are of value as an outpost, but are not of value, in the American viewpoint, as a vital element in the defense of Formosa and the Pescadores.

This U. S. attitude, as military observers here see it, dooms the Tachens.

Chiang Kai-shek's strategy, at this stage, is to fall back to the offshore islands which are closer to Formosa than the Tachens. Chiang's commanders already have made extensive preparations

—Wide World

CHIANG'S SOLDIERS
. . . 600,000 of them

to withdraw their northern outposts to **Nanchishan Island,** some 80 miles south of the Tachens.

Nationalist plans now are to abandon some of the offshore islands, but give up others only after a real fight. Some of these islands—such as Quemoy, opposite the mainland port of Amoy, and Matsu, near the mainland port of Foochow—are important to the defense of Formosa because the Communists cannot use their bases for invasion as long as the Nationalists hold the islands.

But Quemoy, Matsu and all the other offshore islands now are in danger of mass attacks by Communist forces from the mainland.

Jolt to Nationalists. Nationalist leaders, preparing to do what they can to fight off these Communist attacks, consider U. S. talk of a cease-fire and the U. S. failure to help hold the offshore islands as a serious letdown, a jolt to Nationalist morale, a boost for the Communists.

At one time the Nationalists listened eagerly to talk in the U. S. of "taking the wraps off Chiang," of "permitting" the Nationalists on Formosa to strike at the mainland of Red China with U. S. air, sea and logistical support. Now, many officers believe, the Nationalists will be lucky if they can hold to a few of their offshore islands.

Build-up of Chiang's military power in the Formosa area has been moving fast in recent months. U. S. economic and military spending is running at nearly half a billion dollars a year.

Over all, Chiang's forces are no match in size for Communist forces on the mainland. In the Formosa area alone, however, Chiang's U. S.-trained and U. S.-equipped forces have the arms, equipment and training to fight.

On the ground, Chiang has about 600,000 men in uniform. Only about half of these can be considered combat effectives. The combat troops are organized into 24 infantry divisions of about 11,000 men each and two armored divisions. Perhaps half of these are fully trained and equipped.

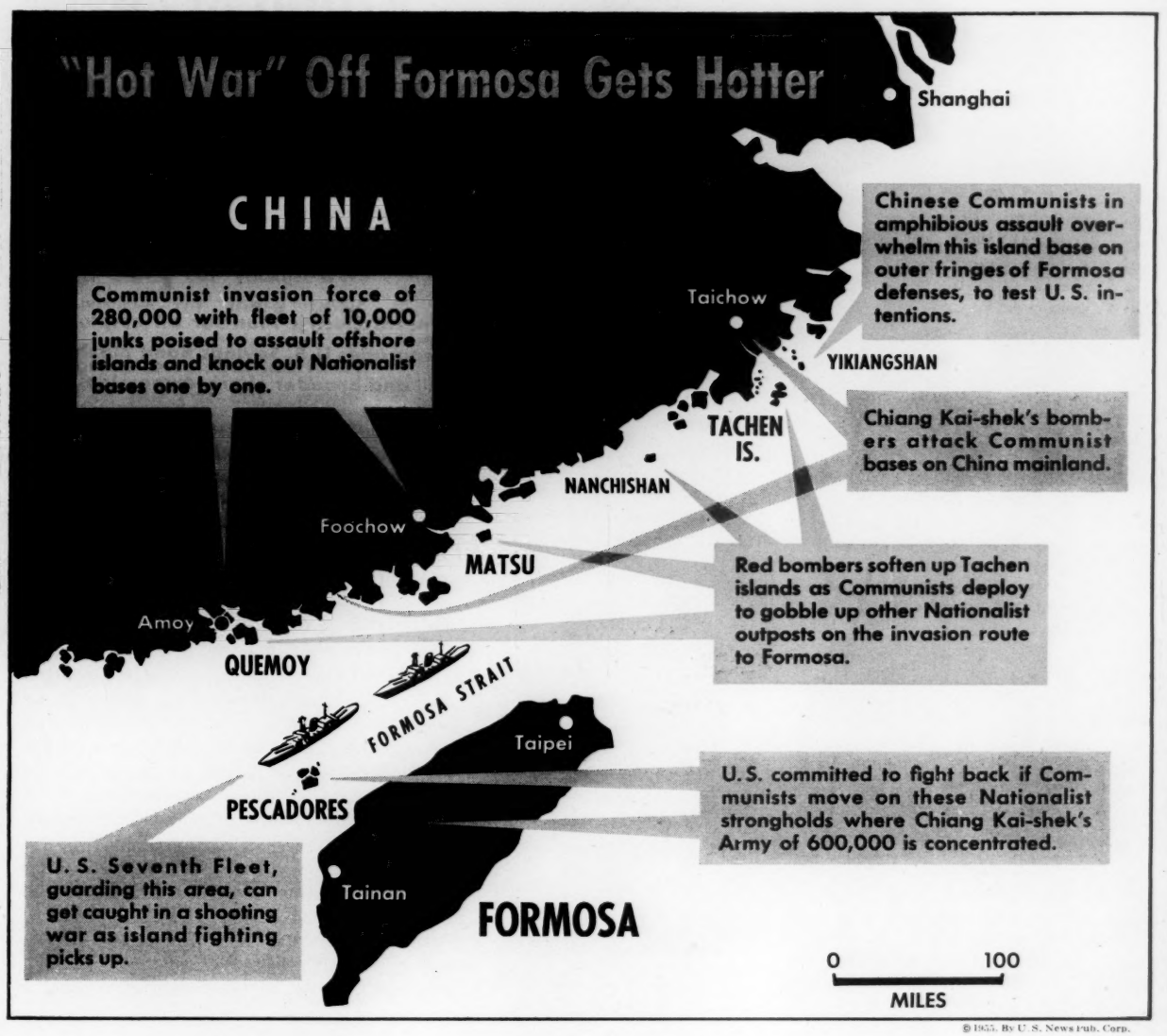
Across the Formosa Strait, the Communists have an Army of some 3.5 million men, many of them veterans of the Korean war. Their soldiers average five to six years younger than Chiang's Nationalist soldiers, who have done little fighting since 1949. On the mainland opposite Formosa the Communists have concentrated about 280,000 of their best troops, including some of their 150,000 trained paratroopers.

In the air, Chiang has only a force of 500 planes to meet the Chinese Communists' Air Force of 2,000 warplanes. But the Nationalists now have a group of F-86 Sabre jets to meet the Communist MIG jet fighters.

Assorted warships. The Nationalist Navy has an odd assortment of former American destroyers and destroyer escorts, obsolete ex-Japanese destroyers and corvettes, and new, U. S.-built high-speed patrol boats, rocket-firing landing ships and mine sweepers. Manpower, trained by the U. S. Navy, totals some 20,000 officers and 60,000 men.

Ship for ship, the Nationalists appear to have the edge over the Communists. Chinese Communists have only an over-age British-built cruiser inherited from the Nationalists, a number of armed junks and many high-speed Russian-built torpedo boats and gunboats. They may also have one or two Russian-donated submarines.

War on the offshore islands, as it appears to be developing after the Com-


"Hot War" Off Formosa Gets Hotter
Shanghai
CHINA
Chinese Communists in amphibious assault overwhelm this island base on outer fringes of Formosa defenses, to test U. S. intentions.
Communist invasion force of 280,000 with fleet of 10,000 junks poised to assault offshore islands and knock out Nationalist bases one by one.
Taichow
YIKIANGSHAN
TACHEN IS.
Chiang Kai-shek's bombers attack Communist bases on China mainland.
NANCHISHAN
Foochow
MATSU
Red bombers soften up Tachen islands as Communists deploy to gobble up other Nationalist outposts on the invasion route to Formosa.
Amoy
QUEMOY
FORMOSA STRAIT
Taipei
PESCADORES
U. S. committed to fight back if Communists move on these Nationalist strongholds where Chiang Kai-shek's Army of 600,000 is concentrated.
U. S. Seventh Fleet, guarding this area, can get caught in a shooting war as island fighting picks up.
Tainan
FORMOSA
0
100
MILES

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munist seizure of Yikiangshan, is likely to involve Communist troops on junks escorted by torpedo boats and gunboats. The Nationalists too, for counterattack, have a seasoned marine division of 13,000 men.

Chiang's fighting men today are far different from those he commanded after the debacle on the mainland in 1950.

For the first time in history, the Chinese Nationalist soldier has an adequate rice ration. He has hospitals and medical care, both unknown to him on the mainland. Officers no longer have the privileges they once enjoyed. Generals now can be seen riding bicycles.

On the plus side, as a result, the Nationalist fighting men have developed good teamwork, are in fine physical condition and show a willingness to fight that they rarely displayed on the mainland.

On the minus side, U. S. officers find a weakness in the chain of command at the top where Chiang tends to appoint officers for their personal loyalty to him rather than for their ability or loyalty to the Nationalist cause.

In addition, the Nationalist soldiers are growing older. Average age may exceed 30. Some 100,000 of the native Formosan population have been given basic training, but few are in the Regular Army. Nationalists know the Formosans tend to dislike all mainlanders.

Would Nationalists fight? The big, unanswered question is whether the Nationalist Army would or would not fight when the chips are down. Most American advisers on Formosa agree that the present Nationalist Army is far superior in firepower, training, equipment and stamina to the one that disintegrated on the mainland. But, as one officer said: "You never know what an army will do until it starts fighting."

Island by island the Communists now plan to whittle away Chiang's holdings of offshore islands. Many victories will be easy as long as the U. S. does not intervene with sea and air power.

Each island that falls to the Communists will be hailed by Peiping as another blow to Chiang's prestige and to the prestige of the U. S. in Asia. And each island lost to the Reds will bring the Chinese Communists closer to a real showdown with the U. S. over the island of Formosa itself.

AS GENERAL ELECTRIC SEES IT...

87,000 of our employees are becoming owners of the company

General Electric Plan for all employees encourages U.S. Savings Bond purchases and broader share ownership.

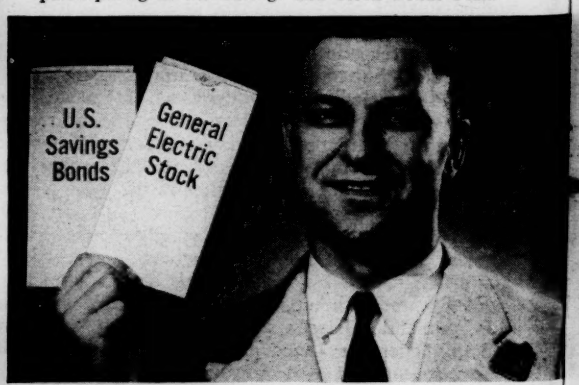
Today one adult American in sixteen directly owns stock, and one in thirty-one owns some part of the company he works for.

This is good, but broader ownership is vital. Not only because U.S. industry will need $420 billions in new capital for expansion and replacement in the next ten years, but because wider ownership will give more people an understanding of our competitive economy, and a further share in its success.

In 1948, General Electric started its Employee Savings and Stock Bonus Plan. Under it, an employee may buy U. S. Savings Bonds through payroll deductions. If the Bonds are held for a specified five-year period, the company gives the employee General Electric stock equivalent to 15% of the purchase price of his Bonds.

By the end of 1955, 40,000 employees will have become new owners; 87,000 are now actively participating in the Plan. If industry is to continue to produce new jobs and products, broader share ownership is important. As we see it, plans that encourage it are a good example of progress in the American way.

Six out of every fifteen G-E employees are already participating in the Savings and Stock Bonus Plan.



New employee-share owner, Milton Danko, holds four $100 Bonds bought in 1949, and three G-E shares he receives as a bonus this year. For a copy of our Share Owners Quarterly on broadening share ownership, write Dept. F-2-123, Schenectady, N. Y.

Progress Is Our Most Important Product

GENERAL ELECTRIC

LATEST PLAN TO DEFEND U.S.

More Planes, Carriers; Fewer Land Troops

New defense plans, proposed to Congress by the White House, do more than cut manpower. They provide for these basic shifts:

• Ground-force strength to be reduced in the Far East, maintained in Europe, increased in a mobile reserve at home.

• Sea strength to be shifted to Far East as prime force there.

• Air strength to be increased most in Europe and in U. S.

For 34 billion dollars a year, if Congress goes along, this country is to get armed forces that President Eisenhower considers adequate for its defense.

Before the Korean war, cost of armed forces was below 14 billion dollars a year, or less than half the projected rate of spending in future years. Before World War II, defense was costing well under 2 billion dollars.

How much defense can be bought for 34 billion dollars is shown in the chart on pages 26 and 27.

Congress has yet to agree that the military strength planned is adequate for defense of the United States and for fulfillment of its world-wide obligations. Controversy on this point is to grow in the months ahead. But the basic new plans are unlikely to be changed.

Under the plans, American forces around the world are to be shifted, some of them brought home, others moved to new stations, a few built up to increased strength and some demobilized.

Much of the nation's ground-force strength that has been stationed overseas to guard troubled areas is being brought back, some of it demobilized, the rest made into a mobile reserve that can be sent anywhere in an emergency.

Marines are to form a "ready" reserve. Instead of 2 divisions in the Far East and 1 in U. S., as in recent years, the planners now are to station 2 Marine Corps divisions at home, ready for emergency use, 1 regiment in Hawaii for use anywhere in the Pacific, and only 2 regiments in the Far East.

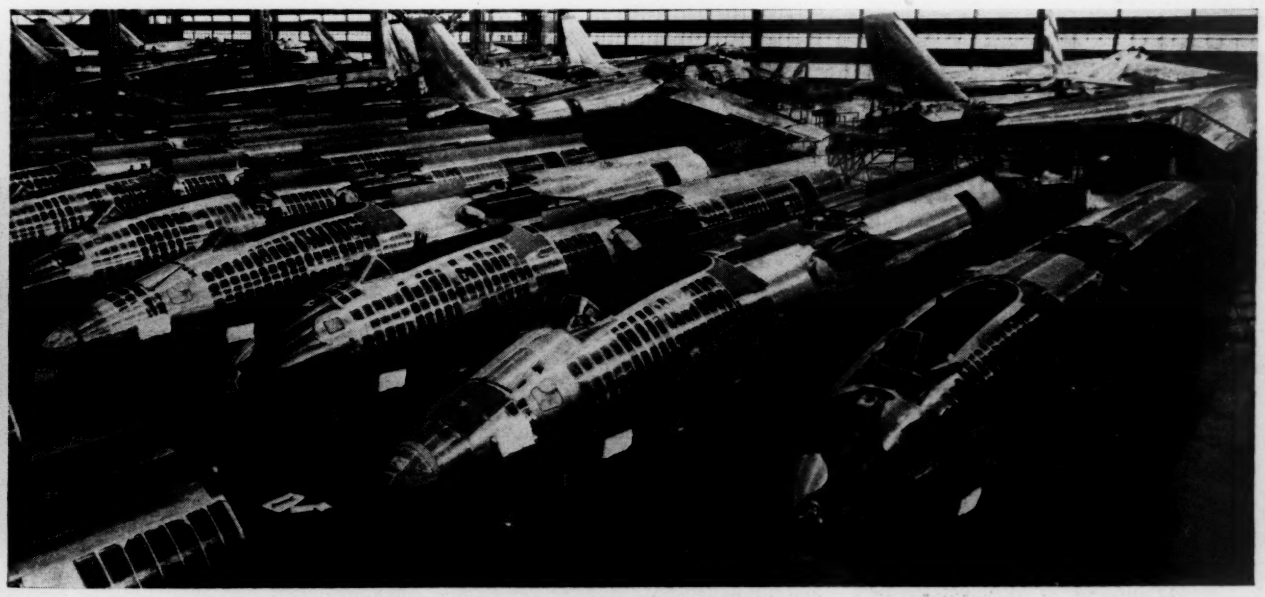
Army strength in the Far East is to be greatly reduced. Instead of 7 divisions in Korea, the strength about a year ago, only 2 divisions will be kept on guard there. Another 5 divisions and 5 separate regiments will remain in Europe. One division each has been assigned "permanent" duty in Alaska, Hawaii, Japan and Panama. The remaining 8 divisions will be kept in the United States, in training and as a mobile reserve. This compares with a total Army strength of 10 divisions before the Korean war.

Not all returned ground strength is to be retained, however. The Army is to lose about a quarter of its manpower, the Marine Corps an eighth of its men.

Sea power. Naval strength of U. S., as the planners see it, will shift somewhat to the Pacific. But a strong operating fleet will be kept in the Mediterranean, and a large number of ships assigned to the Atlantic. The "operating" fleet in the Far East is to be strengthened through transfer from the "administrative" First Fleet on the U. S. West Coast and in Hawaii.

The shifts envisage no cutback in the number of active warships. There will still be 405, plus one new carrier and a new atomic submarine each year, if the planners get their way.

Attack carriers will form the nucleus of each operating fleet. The plan assigns 4 of these carriers to the Far East,



B-47 BOMBERS ON THE PRODUCTION LINE
The goal for 1957 is 23,500 aircraft, nearly all jet propelled

HERE ARE THE ARMED FORCES

AN AIR FORCE OF THIS SIZE:

130 AIR WINGS, with 22,900 aircraft

These air wings to include:

50 big-bomber wings

33 home-defense wings

36 fighter-bomber wings

11 troop-carrier wings

All 119 combat wings to be jet-equipped

About 15 wings in the Far East, 16 in Europe

975,000 MEN IN UNIFORM

A MARINE CORPS OF THIS SIZE:

3 COMBAT DIVISIONS—2 in U. S., 1 in the Far East

3 AIR WINGS, one with each division

193,000 MEN IN UNIFORM

2 to the Mediterranean and 9 to reserve forces held in readiness along the East and West coasts of U. S. Assignment of about 1,000 other naval ships will tend to follow this pattern, too.

Ships will be operating with somewhat smaller crews, and there will be proportionately fewer cargo and support ships, as naval manpower is reduced by about 28,000 men and the number of noncombatant ships by about 100.

In the air. Air power under the new defense plan, meanwhile, is to expand substantially, with new units spotted on bases all around the non-Communist world.

Europe and nearby areas are to get the biggest build-up. Major bases are to be built and manned in Spain. Others are to be completed in the Near East and North Africa. More are planned in Western Europe.

But the planned build-up will affect air strength in other parts of the world as well—bases in being or under construction in Greenland, Alaska, the Philippines, Okinawa, Japan, Saudi Arabia and elsewhere.

Rotated to these overseas bases regularly, or maintained at expanded bases within continental U. S., will be an increasing number of air-combat units, with an increasing number of jet aircraft and men to operate them. The plan is to step up air strength from 119 air wings at present to 130 wings by mid-1956, then to the goal of 137 wings by June, 1957.

When that goal is reached, within 30 months under the White House plan, the Air Force is to have in operation around the world about 23,500 aircraft,

THAT IKE PROPOSES FOR MID-1956—

AN ARMY OF THIS SIZE:

19 COMBAT DIVISIONS—5 in Europe, 2 in Korea, 1 in Japan, 1 in Hawaii, 1 in Panama, 1 in Alaska, 8 in U. S.

12 SEPARATE REGIMENTS and REGIMENTAL COMBAT TEAMS—1 on Okinawa, 1 in Japan, 1 in Berlin, 1 in Austria, 3 others in Europe, 5 in U. S.

1,027,000 MEN IN UNIFORM

A NAVY OF THIS SIZE:

1,000 NAVAL SHIPS of all kinds

405 warships in operation

15 attack carriers—4 in the Far East, 2 in Mediterranean, 9 based on East and West coasts of U. S.

13,000 naval and Marine aircraft

Fleets in the Atlantic, Pacific, Far East and Mediterranean

664,000 MEN IN UNIFORM

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nearly all jet propelled. They will be organized into 54 wings of big "strategic" bombers, 34 wings of "continental defense" jet interceptors, 38 wings of "tactical" jet fighters and fighter-bombers, 11 wings of big troop-carrier transports.

The long-term plan, in other words, provides for withdrawing some ground-combat strength from overseas to form a small mobile reserve at home, shifting naval strength from the Atlantic to the Pacific, and building up air strength around the world. A major cut in ground-force strength, a small cut in sea strength, and a 30-month increase in air strength are included.

The decision on the changes is attributed entirely to President Eisenhower. He wrote to Defense Secretary Charles E. Wilson on January 5, explaining that he had proposed the basic plan to the Joint Chiefs of Staff.

Whether this blueprint is to be accepted without a struggle by the services themselves is not yet certain. Army officials are known to be questioning the premise of the defense plan: that war against Russia will be short, sharp, and fought largely with air power and with nuclear weapons, and that small, mobile forces are adequate for "police actions." But a top-level decision now appears to be made, the pattern set for altering U. S. defenses as the H-bomb era gets under way.

A military writer's proposal for a still greater change in military outlook starts on page 78. And a report on military spending, with the rest of the federal budget, begins on page 98.

Interview

with COL. BERNT BALCHEN

Assistant for Arctic Activities, U.S. Air Force

ARCTIC FLYING IN THE NEXT WAR

EDITOR'S NOTE: *Big things are happening in the Arctic. U. S. is conducting a major military maneuver there, involving thousands of paratroopers and airmen. Russians are said to be holding large-scale military exercises. There are reports of plans for transforming ice islands into bomber bases, for setting up vast new radar nets, new defense outposts.*

To get the real story of what's going on in that part of the world—what is feasible and what is not—"U.S. News & World Report" interviewed the outstanding military expert on the Arctic, Col. Bernt Balchen. The interview follows.

COL. BERNT BALCHEN, *born in Norway 55 years ago, has become the U. S. Air Force's top specialist in Arctic activities. His experience shows why:*

Back in the 1920s, he was a member of the Amundsen-Ellsworth-Nobile Arctic Expedition, and chief pilot of the Byrd Expedition to the Antarctic. Later, he was chief pilot of the Ellsworth Antarctic Expedition, an official of Norwegian Airlines, the U. S. Army officer who built and commanded Bluie West 8 Air Base on Greenland, and commander of a rescue squadron in postwar Alaska. He now serves in the Pentagon.

Q Do you think the Arctic will really be important if there's another war, Colonel Balchen?

A Due to the third power we have today—air power—the Arctic is in the center of the civilized world, and, consequently, a lot of operation missions would have to go through this area.

Q Will this importance be solely as an airway, or as a site for radar screens?

A It will have a double function: To have an area through which operation missions will go, and it is very important for the North American continent to utilize the land areas that we have there to establish early-warning radar screens across these areas.

Q Is there ever likely to be such a thing as a ground war in the Far North?

A There could be. Because a part of the border against Russia in the Scandinavian peninsula is a part of the NATO [North Atlantic Treaty Organization] defense area, and the Scandinavian peninsula on the northern flank of the European front forms a very important part in the defense of the NATO countries.

Q There have been ground wars in the Far North before, have there not?

A Oh, yes, all the way up through history. There've been wars fought by the Finns and Russians, the Swedes and the Russians, and we have a lot of wars that could be termed Arctic wars on the Russian front.

Q Would you say that the Russians are ahead of this country or behind in the military development of the Arctic regions?

A Well, that's a question you need a really good crystal ball to answer, and mine is not good enough to answer that. But there are certain things that we can draw conclusions from, and one is the following: that the whole of the Soviet Union is in a cold climate. Therefore, their operations have to be conducted in cold weather during a large part of the year. Moreover, their population is accustomed to the cold-weather climate and, consequently, they have an advantage there. So far as their technical development in cold-weather equipment is concerned, that is a question that we just can guess at.

Q British newspapers say that the Soviet Union has just concluded tests that show that ice islands can serve successfully as bomber bases. Would you say that this is a fair conclusion?

A No. I think that's an overrating of the simplicity of supporting a bomber base in the Arctic, or anyplace in the world. Because you can land on a snow-compacted runway during the cold season out on any of these islands, on any surface that you compact; but to get the supplies out there which you need to call it an operational base—that is a question of an entirely different magnitude.

Q Why is it difficult to maintain Arctic bases?

A The main differences between an Arctic base and a base in a Temperate Zone are the logistic difficulties imposed as a result of climate. The climatic difference is this: the short season in which it is accessible by methods of navigation that can bring in the heavy supplies—except by air, which is prohibitive when you are talking about the tonnages for a modern base—and, in addition, the climatic effects on equipment and personnel.

Q Who is in the more advantageous position in the matter of Arctic bases—the United States and Canada, or the U.S.S.R.?

A That is a question that is rather difficult to answer in a few sentences. I would say that we are in a more advantageous position on account of some of the warm currents going up high into the Arctic on our side, making bases available in high latitudes, open to navigation for longer parts of the season, than over on the Russian-Siberian side.

Q Do the Russians have the same logistic requirements for their bases as we do?

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Polar Region in Air Age Is "Center of Civilized World" . . . Uses: Route for Missions, Site for Warning Radar

A Well, to operate an aircraft they need fuel and lots of other things, ammunition and bombs. As a military operation, yes, it should be about the same. But we know that the Russian soldier requires much less to live on, and that their comfort requirements, which I've seen from personal experiences with the Russian armed forces, are much lower. The soldiers are required to live on much less and to have less heat and less comfort. Consequently, their logistic requirement is lower than ours.

Q The British say that experiments indicate that any air war involving action across the North Pole area would most probably occur in the summer because of fog and other problems in the other seasons. Is that a fair conclusion?

A I don't see what the fog has to do with an air war, because an air war today is fought generally up in a high atmosphere, up in the ionosphere and the stratosphere, I could nearly say. Actually, the fog in the Arctic Basin in the summertime is prevalent—that's correct—and it hampers ground operations. But operations across the Arctic Ocean wouldn't be hindered. I would believe that the season, therefore, for aerial operations across the Arctic wouldn't be any hindrance except if they were started from Arctic bases. The summertime would be the least favorable. The winter and early spring would be far more favorable, in my opinion, when the weather is clear.

COL. BERNT BALCHEN

Q We have a number of bases in that area. What are some of the most important ones?

A Generally speaking, we have the North American continent to the west defended from the Alaskan complex, and in the east, in Labrador, Baffin Island and Greenland, we have the northeast complex. The bases there, I think we can say, form the local defensive areas of the North American continent.

Q How close do we have our bases to Moscow and to the Russian industrial complex?

A Well, that's something anybody can mark off on a globe. The air-line distance from one of our bases is in the neighborhood of 2,700 miles, nautical miles.

Q How close to Washington and our industrial complexes are the Russian bases?

A In the neighborhood of 3,000 and more miles.

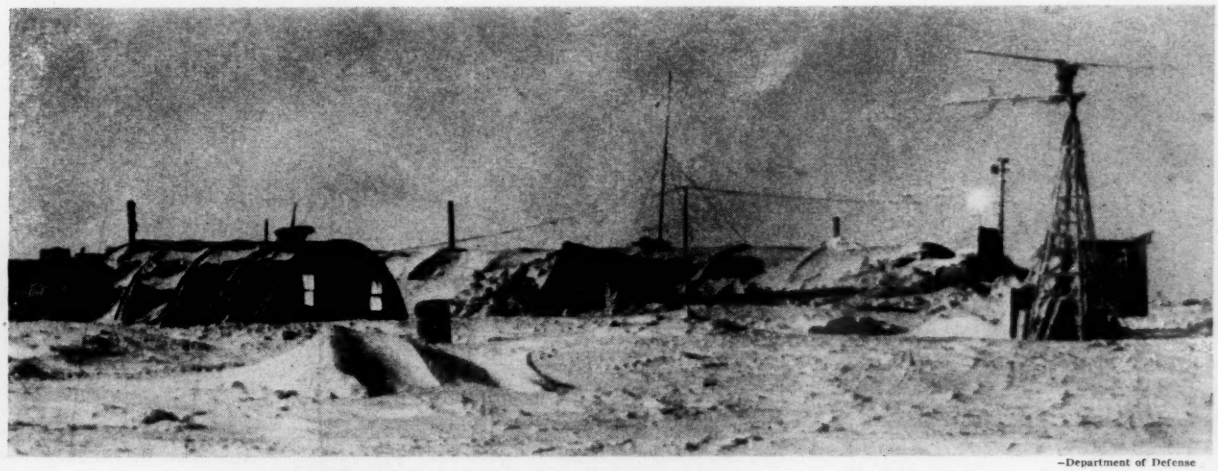
Q It's not much of an advantage either way as far as distance is concerned, is it?

A No. It's just about "even Stephen" as far as distances are concerned. But that's not an over-all thing in determining the availability of targets.

Q What about the area about the North Pole itself—is this an area of huge ice islands?

A No. I wouldn't call it ice islands, because the ice island

(Continued on next page)



—Department of Defense

FLETCHER ISLAND: "It might be advantageous to man it again"

. . . "Small stations on pack ice" can aid polar air operations

that you have been reading about is a specific phenomenon, a part of an ice cap, shelf ice which had broken off apparently on the north coast of Ellesmere Island and had been drifting around among the polar pack ice. The polar pack ice is ice that has frozen in the Polar Ocean, which is an area of about 5 million square miles, and is drifting around there all the year round.

The Polar Ocean is never completely cemented with the ice in rest. It is always in movement. We have a movement off the North American continent, which we call the Beaufort Sea eddy, which is between the North Pole and the North American continent, and moving in a clockwise direction—in other words, going in a westerly direction along the Canadian archipelago, Alaska, and between Alaska and Siberia, turning upwards toward the North Pole. On the other side, we have a counterclockwise movement that joins with a current going out between the east coast of Greenland and Spitsbergen into the Greenland and Norwegian seas, which is the spillway of this tremendous ocean, where the polar ice is draining out and giving us cold water to mix with the Gulf Stream, which causes a lot of trouble along the Newfoundland banks and Greenland in bad weather.

Q What effect does this movement of the ice islands have on any defense plans that we may have?

A The ice islands I don't think have any importance in defense planning. But the capability of being able to set out small stations for specific purposes out on the polar pack ice, on the solid old polar floes out there, may have quite significant importance in support of your polar operational plans across the Arctic Ocean.

Q What was the Fletcher Project that the United States Air Force was engaged in for a while?

A It was the establishment of a weather station and a hydrographic station for scientific purposes out on one of the ice islands, on one of the large pieces that had broken off and was floating around out there. It was discontinued because Fletcher Island drifted too close to one of the Arctic weather stations, and therefore the benefit derived from there was not enough to warrant the expenditure. But, as soon as Fletcher Island gets further away from established stations, it might be advantageous to man it again.

—United Press

LIFE IN THE ARCTIC: ". . . the darkness and the cold in the wintertime"

. . . Arctic "open for aggression" in '46, now "gap is closing"

Q Did the United States learn all it wanted to know from the expedition utilizing this ice island?

A Oh, no. We never learn enough about the Arctic. As long as we don't habitate in the Arctic, live in the Arctic, there will always be a lot to learn. The men we are sending there for the armed services on a very short tour just find out a little of what it is about.

Q How is the big base at Thule, Greenland, working out?

A In my opinion, very satisfactory.

Q Could you describe the life at Thule, some of the problems that you have there?

A The problem for the American airman going into the Arctic is mainly isolation from towns, from his relatives, and so on. Climatologically, it is the darkness and the cold in the wintertime, and it is the midnight sun and the absence of extreme heat in the summertime. But isolation, I think, is the main problem there. As far as the base itself is concerned, living on a military base, they have all the comforts that the services are able to give them on a base. So, their life there doesn't differ very much if you exclude family life and female company, which they haven't at the present time.

Q How long is the tour for our men in Thule?

A One year, and I think that's too short. Because a man then just learns what a cycle in the Arctic looks like. He doesn't become an Arctic soldier in that time.

Q What steps are the United States and Canada taking to defend our northern frontier?

A Well, I think the steps they have taken there have been very positive. When you consider that in 1946 when General [Carl] Spaatz, Commanding General of our Air Forces in Europe during World War II and later Chief of the Air Force, made a statement that we are all open across the Arctic for any aggression, and the same was for the Soviet as well—that gap is closing and has been closed to a considerable degree through the effort and expenditures of our armed forces, by our Air Force with their high Arctic installations, and the co-operation and aid from the Canadians, too. Tremendously important work has been done in that connection, but a lot remains to be done, too.

U.S./vs. RUSSIA AT THE NORTH POLE
U. S. S. R.
U. S. S. R.
POLAR OCEAN — 5 million square miles of pack ice. Big bases appear impractical here. But outposts, bomber-refueling stations are being tried by both Russia and U.S.
PERMANENT ICE
ARCTIC OCEAN
FLETCHER ISLAND — This drifting ice island, when used as a weather station, showed that outposts near the Pole could operate for long periods, could be supplied by air.
★FLETCHER I.
GREENLAND
GREENLAND — Eastern springboard for U.S. air forces in Far North.
ALASKA — Western anchor for U.S.-Canadian air defenses.
ALASKA
NORTHERN CANADA — Radar "chains" guard the Arctic gateway between Western and Russian worlds.
CANADA

BIG STRATEGY FACTORS—Russians are more used to cold and hardship than U.S. soldiers and fliers. U.S. air bases in Far North are better located, more easily supported than Russian bases. U.S. has an air base 2,700 miles from Moscow. Russia's nearest bases are about 3,000 miles from Washington.

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WHERE ONE TEXAN'S MONEY GOES

Oilman Hunt's Millions Keep Debate Forums on the Air

"Texas millionaires" has become a phrase loosely used to describe some colorful men in Texas who have made millions out of oil. People tend to think of them as a group.

But talk to some of these millionaires, and it turns out they are not a "group" but rugged individualists—more business rivals than collaborators. Some back football teams with their millions. Some play politics. Some devote themselves to philanthropic causes in the field of education.

H. L. Hunt puts his spare cash into an organization called Facts Forum, which sponsors TV and radio discussions of public issues. This is the story of Mr. Hunt, the man, and of his Facts Forum programs.

Articles about other prominent Texans will be presented in future issues.

DALLAS

One Texas millionaire is engaged in an experiment of increasing national importance.

Almost singlehandedly, this man is financing programs that are broadcast every week over about 100 television stations and some 1,000 radio stations spread across the nation. All these programs feature discussions of national and international issues.

Millions of people, through these programs, are given information and arguments that could influence their opinion on major public questions.

The organization that produces these programs is called Facts Forum, Inc. And the man who created Facts Forum is H. L. Hunt of Dallas.

Mr. Hunt is one of the richest of those colorful Texas men who have made millions in oil. But he wants it to be known that he is a member of no "group of Texas millionaires," as they are often called. Like the others, he is an interesting individualist. He regards himself as just a self-made man who has been successful and who is interested in using his vast wealth "to the greatest benefit of mankind."

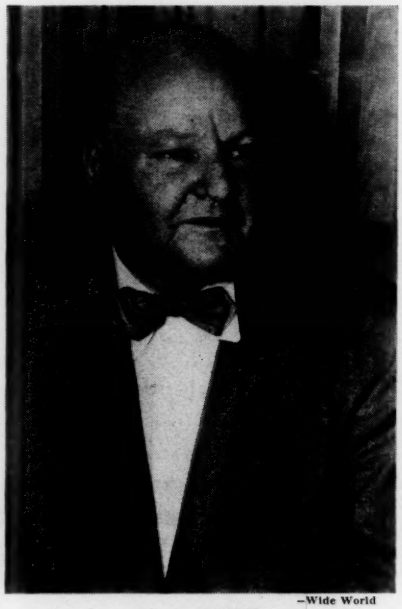
Mystery man? For years, despite his wealth, Mr. Hunt has remained little known to the general public—a rather mysterious figure. Few people are familiar with his full name—Haroldson Lafayette Hunt—which he never uses.

Now, however, Mr. Hunt is becoming important in a field that attracts public attention to individuals. Some of the Facts Forum programs are stirring controversy. Congress is showing an interest in these programs and in the tax exemptions which Facts Forum enjoys as a "nonprofit educational organization."

People are beginning to ask: "Who is this Mr. Hunt?" "What is he up to?"

To answer some of these questions, editors for *U. S. News & World Report* have interviewed Mr. Hunt and his associates, and have observed Facts Forum in operation here at its home base in Dallas.

One reason for the "mystery" about Mr. Hunt is quickly apparent. He does not go in for the ostentatious luxuries that many people are inclined to associate with the life of a Texas millionaire. He lives rather simply, drives an inexpensive car, owns no yachts or fleets of private airplanes.



—Wide World

H. L. HUNT
. . . programs that reach millions

Also, Mr. Hunt is not much of a talker. "I do things first," he says, "instead of starting a lot of ballyhoo about what I am going to do." Actually, he makes no ballyhoo after he has done things, either. He is even deprecating about his wealth.

The Texas financial community rates Mr. Hunt as probably the richest of all the multimillionaires of oil. Says Mr. Hunt: "If I'm the richest, some others who are not the richest must be in a terrible fix."

Oilmen base their estimates of the Hunt fortune on his vast reserves of oil and natural gas underground. These reserves, although chiefly in Texas and Louisiana, are spread across the country from Florida to Montana and out into the Gulf of Mexico. It is predicted that, in time, these reserves will yield a billion dollars or more.

Starting a fortune. How did Mr. Hunt acquire all this wealth? Some of the popular versions prove to be more fiction than fact. One common report is that he won his first oil lease on a bluff bet in a poker game. The less dramatic fact is that he got a precarious start in oil by trading in leases on potential oil lands in the early 1920s, at a time when he was earning a meager living as a cotton planter in Arkansas.

Mr. Hunt drilled his first well on an Arkansas lease in which he had bought a very small interest. He used a broken-down drilling rig that he had picked up for unpaid freight charges, and he

(Continued on page 35)

Volume control telephone enables user to increase listening volume by simply turning a button. Helpful for people with impaired hearing. Note spring cord, available for all sets at modest one-time charge.

Telephone with a light-up dial that is illuminated as soon as the handset is picked up. Perfect for dark or dimly lit rooms – such as bedroom, sickroom, television room.

Portable extension telephone plugs into telephone outlets wherever you occasionally need an additional telephone – guest room, dining room, sewing room.

Wall telephone comes in ivory or black. Because it takes up no work space, it's the ideal additional telephone for kitchen, workshop, rumpus room.

UPSTAIRS... DOWNSTAIRS... *all around the house*

These things made by Western Electric can add to your satisfaction in using Bell telephone service

Shown here are just a few of the items now being made by Western Electric for your Bell telephone company. They're a sample of our continuing effort to make equipment that adds convenience and satisfaction in use of Bell telephone service.

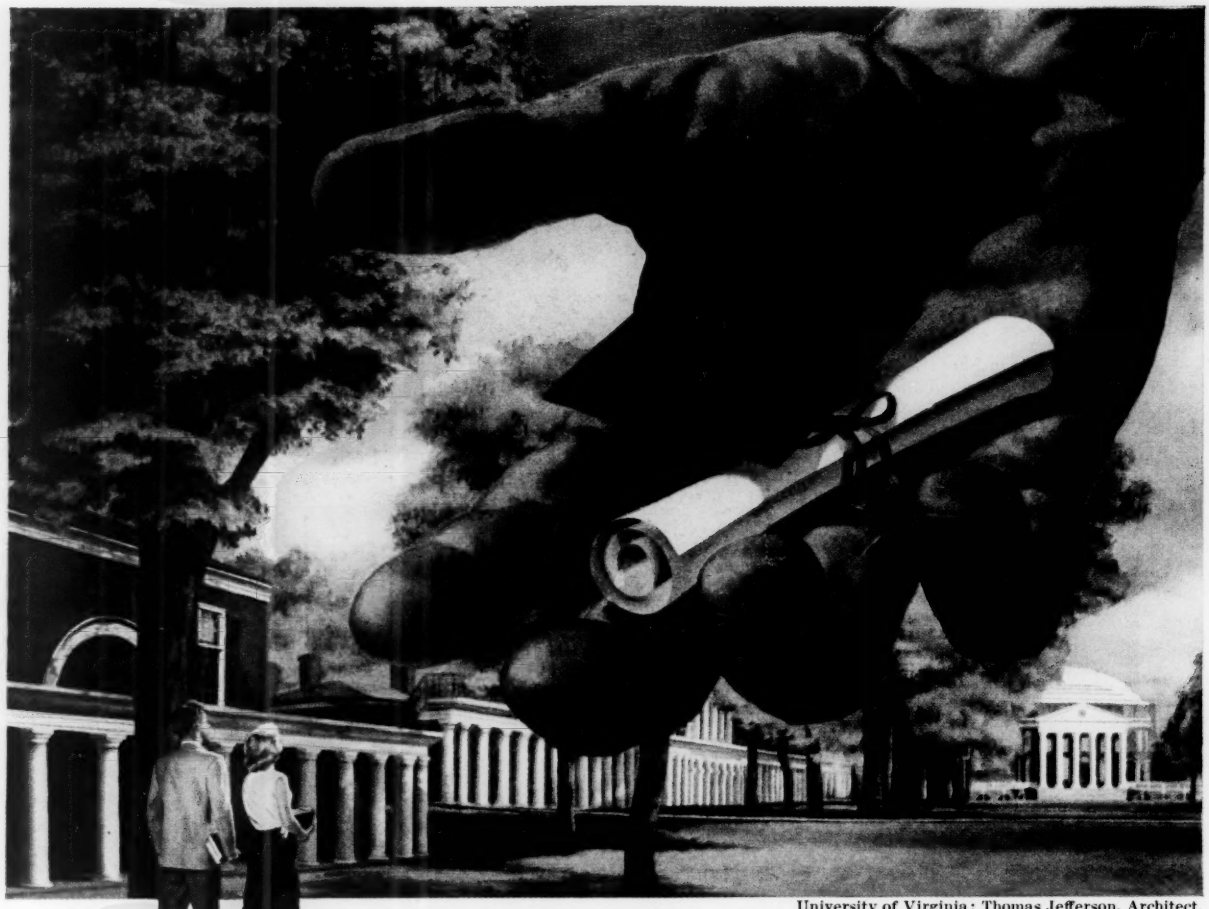
Naturally, as the manufacturing unit of the Bell System, we work hand-in-hand with Bell Laboratories people who design the equipment and Bell telephone people who operate it. It's Western's job in the Bell System to make the things that make good telephone service better. We've been at it for more than 73 years.

For information about availability and moderate charges, call or visit your Bell telephone business office.

Western Electric

MANUFACTURING AND SUPPLY UNIT OF THE BELL SYSTEM

This scene at our Indianapolis plant shows the testing of color telephones.



University of Virginia; Thomas Jefferson, Architect.

Leaders . . . for tomorrow

"What greater or better gift can we offer the republic than to teach and instruct our youth?"*

"SHOULD I GO TO COLLEGE?" That all-important question is in the minds of many high school students. That they find the right answer is equally important to every one of us . . . and to the future of America.

GREAT GAINS TO YOUTH have been accomplished through education. Still, four out of five of our young people do not go to college. Some of these may have a spark of genius, or leadership talent, that will be wasted through lack of educational opportunity.

400 UNION CARBIDE SCHOLARSHIPS have been provided for through The Union Carbide Educational Fund to encourage able and deserving students toward successful careers in business. Scholarships are now open without special restrictions—through 45 selected liberal arts colleges and technological institutes—to all students of high schools and preparatory schools.

THE PEOPLE OF UNION CARBIDE hope you, too—as you think of the future for your children and other deserving American youth—will do everything you can to encourage their ambitions for adequate education. Also, that you will join in giving co-operation and encouragement to those who guide and teach them.

TO LEARN MORE about the Union Carbide scholarships, their purposes, and the colleges, institutes, and universities in which they have been established, write for booklet Q.

*Cicero

UNION CARBIDE
AND CARBON CORPORATION
30 EAST 42ND STREET UCC NEW YORK 17, N. Y.
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LINDE Oxygen	EVEREADY Flashlights and Batteries	NATIONAL Carbons	ACHESON Electrodes	LINDE Silicones
PYROFAX Gas	SYNTHETIC ORGANIC CHEMICALS	PRESTONE Anti-Freeze	UNION Carbide	Dynel Textile Fibers
PREST-O-LITE Acetylene	ELECTROMET Alloys and Metals	HAYNES STELLITE Alloys	BAKELITE, VINYLITE, and KRENE Plastics	

"jawboned," as Texans say, a little credit for the necessary supplies.

That first well struck oil. But it yielded very little money. So did many Hunt oil wells that followed. For years he was only a modest success as a "wildcatter."

In 1930, however, Mr. Hunt struck it rich, as an early operator in the fabulous east Texas oil field. Other successes followed.

As Mr. Hunt's wealth grew, he bought farms and ranches in Texas, Louisiana, Wyoming, Montana, Florida and Canada. Among other things, he became one of the nation's largest growers of paper-shell pecans.

All these purchases, however, did not use up all of Mr. Hunt's cash, and in 1948, when he was nearing 60, he began looking around for some way to use his spare money for what he calls the "benefit of mankind." He first started to set up a Farm Facts Foundation to teach conservation and practical farming.

Before this undertaking had matured, some of his friends and his two daughters convinced him that another type of foundation was more important. They argued that the gravest danger that the American people face is not hunger, but the loss of individual freedom—chiefly through Communism. Mr. Hunt agreed, and the farm project was shelved.

In 1951, Mr. Hunt set up the foundation called Facts Forum. Its announced aims were: to resist totalitarianism by alerting people to its dangers, to contribute to adult education and to promote discussion of public issues.

Facts Forum began with the establishment of neighborhood discussion groups in Dallas and other Texas cities. It evolved gradually into the big television and radio enterprise of today.

PANEL DISCUSSION ON "ANSWERS FOR AMERICANS"
. . . on 50 TV and 138 radio stations

First of the Hunt-backed programs to go on the air was a series of pro and con discussions bearing the name "Facts Forum." These discussions are conducted, usually singlehandedly, by Dan Smoot, a former university teacher of English and more recently an investigator for the Federal Bureau of Investigation.

One-man debate. Mr. Smoot's method of operation is to choose some current issue and, in effect, debate the issue with himself. He will first argue one side of the question, then turn around and argue the other side. He does not state which side he really believes.

Among questions Mr. Smoot has discussed recently are: "Should the United States impose a blockade of Communist China to force the release of American prisoners?" and "Has America safely resisted the world-wide trend toward socialism?"

The weekly debates run for 30 minutes on 80 TV stations, and 15 minutes on 265 radio stations.

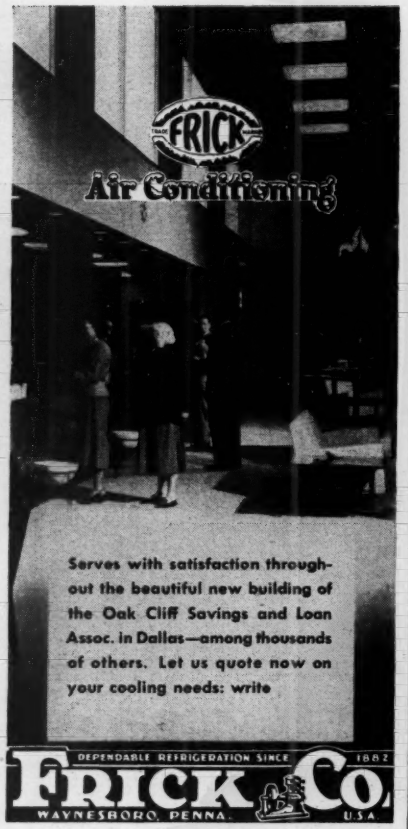
Facts Forum produces the programs and distributes them on film or sound recordings to the stations which, for the most part, broadcast them as a public service without commercial sponsorship.

In 1953, after the debates became established, Facts Forum underwrote the production costs of another program called "State of the Nation." This is a weekly 30-minute radio program in which some Governor or other prominent person is interviewed by a panel of newsmen.

On "State of the Nation" have been discussed such questions as "Should the Senate censure Senator McCarthy?" and juvenile delinquency. Moderator of the discussions is Hardy Burt of New York. The program is carried on 400 or more stations affiliated with the Mutual Broad-

(Continued on page 36)

DAN SMOOT OF "FACTS FORUM"
. . . on 80 TV and 265 radio stations


FRICK
Air Conditioning
Serves with satisfaction throughout the beautiful new building of the Oak Cliff Savings and Loan Assoc. in Dallas—among thousands of others. Let us quote now on your cooling needs: write
DEPENDABLE REFRIGERATION SINCE 1882
FRICK CO.
WAYNESBORO, PENNA. U.S.A.

WHY WALL STREET JOURNAL READERS LIVE BETTER

By a Subscriber

I work in a large city. Over a period of time I noticed that men who read The Wall Street Journal are better dressed, drive better cars, have better homes, and eat in better restaurants.

I said to myself, "Which came first, the hen or the egg? Do they read The Journal because they have more money, or do they have more money because they read The Journal?"

I started asking discreet questions. I found that men who are well off have to have the information in The Journal. And average fellows like me can win advancement and increased incomes by reading The Journal.

This story is typical. The Journal is a wonderful aid to men making $7000 to $20,000 a year. To assure speedy delivery to you anywhere in the U.S., The Journal is printed daily in four cities — New York, Chicago, Dallas and San Francisco.

The Wall Street Journal has the largest staff of writers on business and finance. It costs $20 a year, but in order to acquaint you with The Journal, we make this offer: You can get a Trial Subscription for 3 months for $6. Just send this ad with check for $6. Or tell us to bill you. Address: The Wall Street Journal, 44 Broad St., New York 4, N.Y. US 1-28.

casting System and the Don Lee network on the Pacific Coast.

Next, also in 1953, was started the program "Answers for Americans." With Mr. Burt as moderator and a panel of three members, this program features discussions of questions such as: "How successful is the United Nations?" and "Is there bias in the American press?" It is aired by 50 TV and 138 radio stations. Facts Forum pays production costs.

Last year, Facts Forum became co-producer of "Reporters' Roundup," a program previously established by the Mutual Broadcasting System. This is a 350-station radio program in which moderator Robert F. Hurleigh and a panel of newsmen interview public figures. Mr. Hunt, himself, does not appear on any of these programs.

—USN&WR Photo

"REPORTERS' ROUNDUP"
. . . on 350 radio stations

New program coming. Now a fifth weekly program, called "The Infil-traitors," is to be added, with Mr. Burt as producer, designed to point out how Communism has infiltrated U. S. life.

Facts Forum News, now a monthly publication with 75,000 circulation, is aiming at a goal of 1.5 million circulation and conversion into a weekly.

All told, it takes about 4 million dollars a year to keep Facts Forum's TV and radio programs on the air. But more than 3 million of that—the cost of the air time—is borne by the stations that broadcast them and by about 30 commercial sponsors.

To ease the financial load further on Mr. Hunt and 2,000 other smaller Facts Forum contributors, their contributions are tax-free—within the usual legal limits. That benefit stems from the incorporation of the Forum, in Texas, as a nonprofit educational institution.

Critics of Facts Forum and its programs have charged that the discussions are more propaganda than educational. They say the debates are "slanted" in favor of ultraconservatism, isolationism and the views of Senator Joseph R. McCarthy (Rep.), of Wisconsin.

Forum officials deny these charges, describe much of the criticism as Communist "smears." They insist that both sides of any question discussed not only get equal time but even breaks in all other respects. The Forum acknowledges no fixed position on any issue except Communism. It is against that.

Forum's goal. What is Mr. Hunt trying to accomplish with all these programs? His own answer is that he is trying to provide a "sounding board" for wide-spread discussion of important issues. He pictures the Forum's role as "moderator" between the opposing philosophies debated.

The opposing philosophies of our time, as Mr. Hunt conceives them, are the "Conservative" philosophy—which he prefers to call "Constructive"—and the "Liberal" philosophy. Says Mr. Hunt:

"It is the followers of one of these philosophies who will save freedom in America if it is to be saved. It will not be the 'middle of the road' group, whose thinking lies between these two philosophies and for whose support the Liberals and Constructives compete.

"The middle of the roaders—'Center'—will never attain convictions strong enough and loyalties staunch enough to do any considerable good. . . The 'in-between' simply represents entrenched apathy, and at the present time, apathy is the great enemy of America."

In reply to charges that Facts Forum is a "front" for the Republican Party, Mr. Hunt says: "I have little preference between the parties. I am for whoever will do most to get the Communists out of Government."

To assertions that the Forum has sought to run Senator McCarthy for President, Mr. Hunt answers: "Facts Forum supports no candidates, and treats McCarthyism like all other issues."

Similarly, Mr. Hunt objects to the "Conservative" label applied to him and the Forum. He said: "I don't have a conservative hair in my head. I couldn't have taken a shoestring and run it up as I have done if I were in the least degree conservative."

Mr. Hunt disclaims any strong opinion for or against the United Nations, but he admits strong feelings about U. S. economic aid to other nations. He says: "It is an outrage that tax money withheld from wages should be used for unnecessary foreign aid for people who take two to four hours' siesta time at lunch."

So far, no official agency has passed judgment on Facts Forum's claim to impartiality, although one congressional committee has declared that bias would be "highly improper" in any public information program supported by tax-exempt funds.

At the request of some members of Congress, however, a study was made of the foundation's right to tax exemption. The exemption was upheld by the Internal Revenue Service.

Oilman's empire. Mr. Hunt's ventures into TV and radio have not slowed his activities in his primary interest—oil. Although he already has a business empire that few can match in size, he continues to expand it. His oil companies still engage in "wildcat" drilling, risk huge sums in new oil quests.

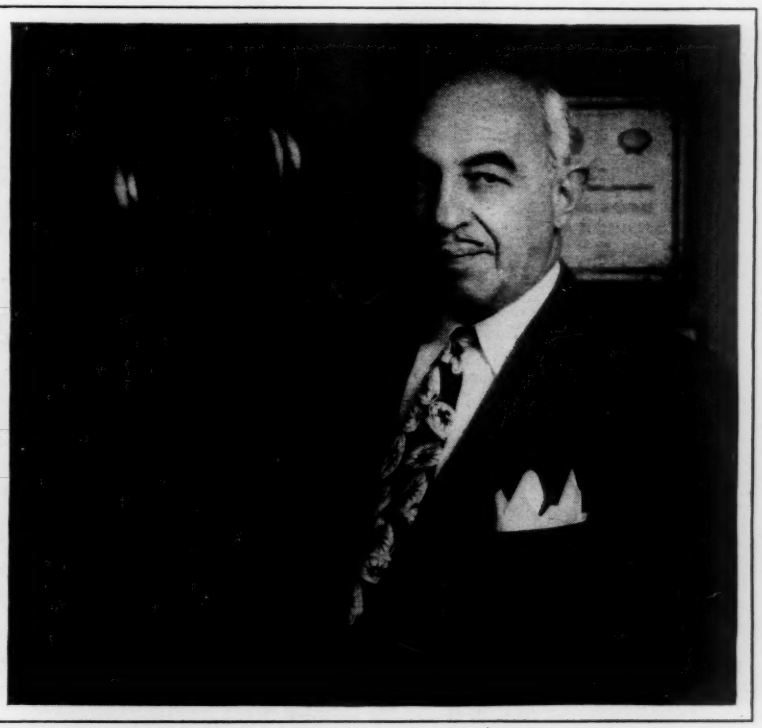
Mr. Hunt, a big, vigorous, hard-working man, keeps a close eye on every phase of his far-flung operations. Reared on a farm, he retains an active interest in farming, is a big-scale cattleman.

The Hunt home in Dallas is an oversize copy of George Washington's old home, Mount Vernon. It is big, but not lavish. Mr. Hunt takes little part in Dallas's social whirl, is not known as a "mixer"—even among the other "Texas millionaires." He takes pride in his four sons and two daughters, is more inclined to boast about them than about his business enterprises.

One thing Mr. Hunt emphasizes—he does not belong to any "group of Texas millionaires." His enterprises are his own.

"We looked at the Middle South

and found a full future for Fulton"



NORMAN E. ELSAS
Chairman of the Board, Fulton Bag & Cotton Mills

"Business had grown to the point where additional production area and facilities were absolutely needed. It wasn't a question of *whether* we'd build a new plant—but *where*. And the answer was as plain as the trademark on any Fulton product.

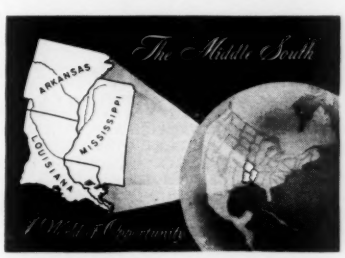
"We're expanding in the heart of the fast-developing Middle South. From Fulton Bag and Cotton Mills' new block-square plant will flow the many products needed by other expanding industries all around us.

"We'll be close to the source of our basic raw materials and will continue to have adequate, low-cost electric and gas services. Complete shipping facilities, including export routes, will be at our doorstep. The labor we need is readily available.

"And we're especially pleased with the year-'round recreational opportunities our plant personnel will enjoy in this mild Middle South climate."

For a closer look at the Middle South, write or visit the **Middle South Area Office,** 211 International Trade Mart, New Orleans—or any of these business-managed, tax-paying electric and gas service companies.

ARKANSAS POWER & LIGHT COMPANY
Little Rock, Ark.
LOUISIANA POWER & LIGHT COMPANY
New Orleans, La.
MISSISSIPPI POWER & LIGHT COMPANY
Jackson, Miss.
NEW ORLEANS PUBLIC SERVICE INC.
New Orleans, La.

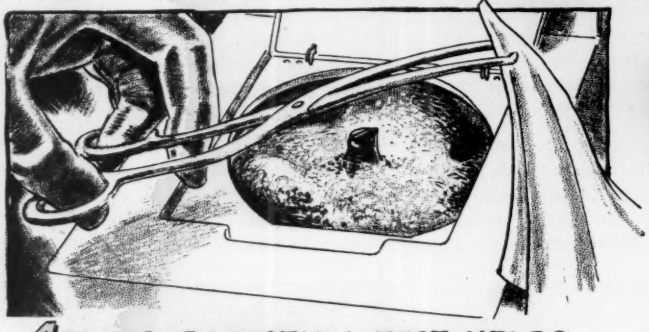


It pays to look at the Middle South

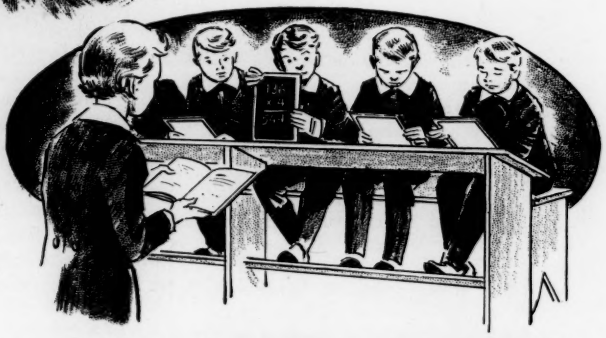
SITTING BULL'S BUZZ SAW MUSIC MADE INDIANS FIGHTING MAD!

RIPLEY'S

A CIRCULAR SAW, CAPTURED IN A RAID, WAS PUT TO NOVEL USE BY SITTING BULL. HE USED IT INSTEAD OF TOM-TOMS TO BEAT OUT WAR DANCE RHYTHMS. THIS SAW, REPORTEDLY, WAS AN ATKINS SAW. EVEN IN SITTING BULL'S TIME, ATKINS-MADE SAWS WERE WIDELY USED AND PRIZED FOR THEIR QUALITY. TODAY, SAWS FROM **B-W'S ATKINS SAW** INCLUDE EVERY KNOWN TYPE FOR CUTTING EVERYTHING FROM WOOD TO METALS AND PLASTICS.



ATOMIC RADIATION TEST HELPS ASSURE CLEANER WASHES! IN A REMARKABLE TEST, FABRICS IMPREGNATED WITH RADIO-ACTIVE BACTERIA ARE LAUNDERED IN HOME WASHERS. MEASURING THE FABRICS WITH A RADIATION COUNTER, BEFORE AND AFTER WASHING, TELLS HOW WELL THE MACHINE REMOVES BACTERIA-LADEN SOIL. IT IS THROUGH THE CONTINUING USE OF SUCH SCIENTIFIC TESTS THAT **B-W'S NORGE** HAS ACHIEVED THE SUPERIOR CLEANSING ACTION OF ITS FAMOUS TIME-LINE* AUTOMATIC WASHER.



IN EARLY U.S. SCHOOLS, CHILDREN DID THE TEACHING! IN SOME 19th CENTURY CLASSROOMS, A SINGLE TEACHER WAS RESPONSIBLE FOR 500 CHILDREN. SO THE TEACHER SELECTED CERTAIN STUDENTS, TAUGHT THEM, AND THEY IN TURN TAUGHT SMALL GROUPS. THIS SITUATION PUT CLEARLY INTO FOCUS A PROBLEM WE FACE AGAIN TODAY: CROWDED CLASSES AND TEACHER SHORTAGES HANDICAP EDUCATION. LEARN MORE ABOUT THIS VITAL SITUATION -- AND WHAT YOU CAN DO. WRITE **BETTER SCHOOLS**, 2 WEST 45th ST., NEW YORK 36, N.Y.

185 PRODUCTS IN ALL ARE MADE BY BORG-WARNER

Believe It or Not!

ENGINEERING B-W PRODUCTION

BORG-WARNER SKILL AND INGENUITY BENEFIT ALMOST EVERY AMERICAN EVERY DAY THROUGH THE AUTOMOTIVE, AVIATION, MARINE, FARM MACHINERY AND HOME EQUIPMENT FIELDS!

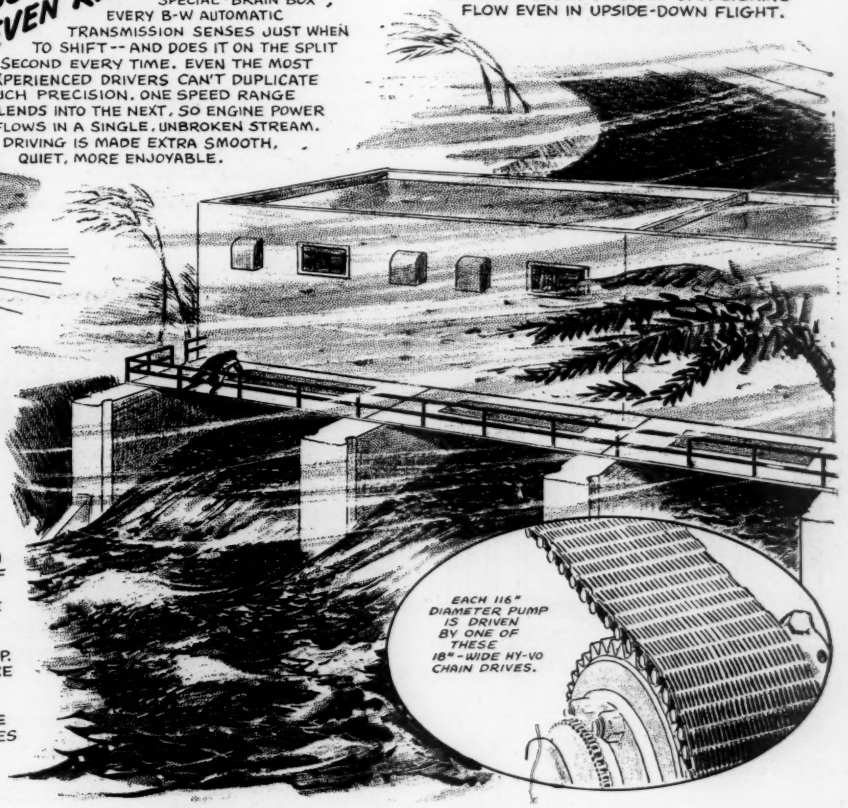
19 OUT OF THE *20* MAKES OF CARS CONTAIN ESSENTIAL *B-W* PARTS. EVERY COMMERCIAL PLANE AND MANY SHIPS HAVE VITAL *B-W* COMPONENTS. *9* OUT OF *10* FARMS USE *B-W* EQUIPPED MACHINES. MILLIONS ENJOY *B-W* HOME EQUIPMENT AND APPLIANCES.

NEW "FLYING SHARK" SHARPENS GUNNERS' AIM!

IT'S THE NEWEST REMOTE-CONTROL TARGET PLANE. BARING PAINTED TEETH, THIS LITTLE FIREBEE JET SO CLEVERLY DODGES FIGHTERS, MISSILES AND ACK-ACK THAT IT TAKES REAL SHOOTING TO HIT IT. TO FORCE JET FUEL INTO THE ENGINE DURING SONIC-SPEED MANEUVERS, A PRESSURE-LOADED FUEL PUMP FROM **B-W'S PESCO** IS USED. IT GIVES UNFALTERING FLOW EVEN IN UPSIDE-DOWN FLIGHT.

B-W AUTOMATIC TRANSMISSIONS OUT-THINK, OUT-ACT EVEN RACE DRIVERS!

THROUGH A SPECIAL "BRAIN BOX", EVERY B-W AUTOMATIC TRANSMISSION SENSES JUST WHEN TO SHIFT -- AND DOES IT ON THE SPLIT SECOND EVERY TIME. EVEN THE MOST EXPERIENCED DRIVERS CAN'T DUPLICATE SUCH PRECISION. ONE SPEED RANGE BLENDS INTO THE NEXT, SO ENGINE POWER FLOWS IN A SINGLE, UNBROKEN STREAM. DRIVING IS MADE EXTRA SMOOTH, QUIET, MORE ENJOYABLE.



SWALLOWS UP FLOOD WATERS- OVER 2 MILLION GALLONS A MINUTE!

EVERGLADES TOWNS AND FARMS NOW HAVE NEW PROTECTION AGAINST FLOODS. BATTERIES OF HUGE PUMPS SUCK STORM WATERS FROM OVERLOADED WATERWAYS AT THE RATE OF 2,160,000 GALLONS EVERY 60 SECONDS, POUR IT INTO A STORAGE AREA. EACH PUMP IS DRIVEN BY A 1600 H.P. OPPOSED PISTON DIESEL ENGINE. TO INSURE UNFAILING SERVICE, THE POWER IS TRANSMITTED FROM ENGINES TO PUMPS BY SLIP-PROOF HY-VO * CHAIN DRIVES, MADE BY **B-W'S MORSE CHAIN**. THESE ARE 3 TIMES AS STRONG AS REGULAR CHAIN DRIVES, YET 1/3 SMALLER.

* REG. U.S. PAT. OFF.

These units form **BORG-WARNER,** *Executive Offices, 310 S. Michigan Ave., Chicago:* ATKINS SAW • BORG & BECK • BORG-WARNER INTERNATIONAL • BORG-WARNER SERVICE PARTS • CALUMET STEEL • DETROIT GEAR • FRANKLIN STEEL • HYDRALINE PRODUCTS • INGERSOLL PRODUCTS • INGERSOLL STEEL • LONG MANUFACTURING • LONG MANUFACTURING CO., LTD. • MARBON • MARVEL-SCHEBLER PRODUCTS • MECHANICS UNIVERSAL JOINT • MORSE CHAIN • MORSE CHAIN, LTD. • NORGE • PESCO PRODUCTS • REFLECTAL CORP. • ROCKFORD CLUTCH • SPRING DIVISION • WARNER AUTOMOTIVE PARTS • WARNER GEAR • WARNER GEAR CO., LTD. • WAUSAU • WESTON HYDRAULICS • WOOSTER DIVISION

IF YOU PAY YOUR MAID 4 DOLLARS OR MORE A WEEK...

You Now Must Send In a Tax or Face Penalty

It's time—in fact, past time—for thousands of housewives to do something about Social Security for part-time maids.

New rules taking effect require housewives who never saw a tax form to file returns, handle payroll deductions, pay taxes.

To help you obey the law, here are simple explanations of the problems that most households are asking about.

Confusion in thousands of homes over the problem of Social Security for part-time maids appears to be mounting instead of subsiding.

Until now, only employes who worked the equivalent of eight days or so a month in a household have been under the retirement plan. Now, as of January 1, nearly all household employes are included.

Yet few housewives seem to know whether their employes are covered by the system, or what to do about it. For some, the problem is complicated by refusal of maids to go along.

In what follows, you get answers to questions that housewives are asking:

Do I really have to pay the tax on my maid or other employe?

Yes, there is no choice—it's compulsory—provided your maid is earning enough money from you to meet the new "coverage" requirements.

How can I tell whether my maid is covered by the system?

She's covered if you pay her $50 or more in cash wages during a calendar quarter—January through March, April through June, July through September, October through December. This means that even your regular, one-day-a-week cleaning woman is covered if you pay her as much as $4 for her day's work. The worker who comes in at $5 a day for one day every other week will not draw $50 from you in the 13 weeks of a quarter—you need not pay taxes on her wages.

Note that your maid may be covered in one quarter, and not in the next.

Are only maids covered as household workers?

No. Any employe in your home who meets the $50-a-quarter test is covered. The type of work performed is immaterial. Even a baby-sitter will be covered, and must have taxes paid on her wages, if she comes often enough and stays long enough to earn $50 from you in any calendar quarter.

For example, here is a partial list of workers who will be covered if they earn enough: cooks, maids, waiters, butlers, housekeepers, governesses, valets, baby-sitters, janitors, laundresses, furnacemen, caretakers, handymen, gardeners, footmen, grooms and chauffeurs of cars for the family use.

Remember that, under the new rules, the number of hours or days worked in the quarter is no longer important.

What will happen if I do not file reports and pay the taxes?

You must be prepared to accept penalties—perhaps stiff penalties—if you're caught. And those penalties—for late

THE HOUSEWIFE'S PROBLEM

A person who pays a maid as much as $50 in a quarter must do these things:

1. **See that she gets a Social Security number.**
2. **Keep a record of her wages.**
3. **Deduct 2% of those wages for Social Security tax, unless the employer wishes to pay the tax for her.**
4. **Get form 942 from nearest Internal Revenue office.**
5. **By April 30, pay Social Security tax. Amount: 4% of January-March wages — 2% taken out of maid's pay, 2% paid by the employer.**

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filing, underpaying, failure to file—can mount up during any long period of delinquency. So can the interest charges that are provided.

Could a housewife be put in jail for not paying the tax?

Yes, this is quite possible—legally, if not politically. Willful failure to comply with the law may draw a felony conviction, a fine of up to $10,000, or a jail sentence of up to five years—or both—plus costs.

Has any housewife ever suffered any of these penalties?

Some have, yes. A substantial number have had to pay the small penalties and interest charges. Some have had their property attached by Internal Revenue for forced sale—though the tendency is for the housewife to pay up at that point. No housewife, it appears, has gone to jail for refusal to pay the Social Security tax—yet.

What if my maid refuses to let me withhold the tax from her wages?

If your maid is just reluctant to part with the tax money, you can pay the tax for her, out of your own pocket. The extra contribution will not be regarded as added wages to be taxed.

But what if my maid refuses to let her wages be reported at all?

Then you're in trouble. Some maids and other household employes adamantly refuse to have any part of Social Security and threaten to quit if their wages are reported. Typical case is the maid who—perhaps with her husband—is dodging income taxes and is afraid Social Security returns will betray her to Internal Revenue.

If this happens to you, you have only two choices under the law—pay the tax on the maid's wages, or get a new maid.

How can I pay the tax if my maid refuses to get a Social Security number?

Then you're expected to pay the tax anyway, and note down on the form whatever information you can about your maid—name, address and the like. Explain—on the form or on an enclosed sheet—that the maid declines to get a number.

What happens then?

You, of course, will be in the clear—though you may lose your maid.

Your maid, then, is likely to get a visit from a Social Security agent. He'll try to educate her to the advantages of Social Security coverage and—failing that—to get enough facts to permit Social Security to set up an account for her.

Can my maid be punished for refusing to get a Social Security card?

According to officials, no penalty is provided for those who refuse.

Can I get a Social Security card for my maid, without her help?

Yes, if you have all, or most, of the information needed to fill out the application form for her. Her signature is not needed. The application form—SS-5—and the address of the nearest Social Security office can be obtained from your post office.

Isn't there anything else I can do if my maid is unwilling to apply?

You can try pointing out to her that her wage credits reported to Social Security are likely to be worth more to her later than any small amounts she may be "saving" by dodging income taxes—perhaps more than she and her husband together are "saving." She not only will be building up credits toward an old-age pension, but will be buying something like life insurance as well.

Is there really much chance that Social Security returns will disclose that the maid is dodging income taxes?

Judge for yourself. Internal Revenue has about 89 million tax returns to process every year, plus 30 million information documents. It's doubtful that agents will find time to do much cross checking between the 59 million individual income tax returns and the 800,000 Social Security returns expected this year from housewives.

FOLD AND SEAL TO FORM ENVELOPE FOR MAILING

Employer's Quarterly Tax Return for Household Employees

(FEDERAL OLD-AGE AND SURVIVORS INSURANCE)

Employer's Name and Address: Mrs. John Doe, 8888 Main Street, Anytown, U. S. A.

Return for Calendar Quarter: Jan - Feb - Mar, Due April 30, 1955

Fill in one line for each household employee to whom you paid $50 or more cash wages in the calendar quarter covered by this return, if the employee worked for you on 24 or more different days in that quarter or on 24 or more different days in the preceding quarter (see Circular H). *Please use ink or typewriter.*

Employee's Social Security Account Number	Name of Employee (PLEASE PRINT AS SHOWN ON ACCOUNT NUMBER CARD)	Cash Wages Paid to Employee in the Quarter (BEFORE TAX DEDUCTION)
111 11 111	Susan S. Smith	$ 78 00
	Total Cash Wages	$ 78 00

Make check or money order payable to DISTRICT DIRECTOR OF INTERNAL REVENUE — Insert here

Taxes Due—4% of total cash wages. Enter total here $ 3 (DOLLARS) 12 (CENTS)

If no tax is due, write "None" and advise if returns will be needed for future quarters.

(2% EMPLOYER TAX PLUS 2% EMPLOYEE TAX)

Employer's Name and Address: Mrs. John Doe, 8888 Main Street, Anytown, U. S. A.

Return for Calendar Quarter: Jan - Feb - Mar, Due April 30, 1955

I declare under the penalties of perjury that this is a true, correct, and complete return to the best of my knowledge and belief.

April 15, 1955 (Date) — Mrs. John Doe (Signature of Employer)

FORM 942 (REVISED JAN. 1954)
U. S. TREASURY DEPARTMENT, INTERNAL REVENUE SERVICE

How does a housewife go about paying the tax on a maid?

First thing to do is to drop a note to your district director of Internal Revenue at the same address your family uses in paying income taxes. Request the simple envelope form, SS 942—which is reproduced on this page—and ask the director to put you on his mailing list. Then, about the end of each quarter, he'll send you a copy of the form.

Fill out the form and mail it with the tax to the director each quarter. Pay by check or money order, preferably—or in cash if you insist.

Payment for this first quarter of 1955 is due April 30. Due dates for subsequent quarters are the end of the month that follows each quarter.

What if I run into trouble figuring out what to do?

Write your district Internal Revenue director and ask for a copy of the "Household Employer's Social Security Tax Guide"—circular H. Be sure to get the January, 1955, revised edition.

Headaches, too, in this year's income tax returns. See page 128.

BUSINESS AHEAD —AS IKE SEES IT

In the future, as Mr. Eisenhower forecasts:

Business is going to be mostly on its own.

Government will try to keep the climate favorable for private enterprise, will look to businessmen to spark prosperity.

Recovery, now started, will carry through 1955, set a base for long-term growth.

Business, at the present time, is able to keep expanding without depending on any "upward thrust" from the Government.

These views of the President and his Council of Economic Advisers are given in what follows. A letter by Mr. Eisenhower is presented in full.

MR. EISENHOWER EXPECTS MORE GOOD TIMES

Following is the full text of the letter of transmittal that President Eisenhower sent to Congress with his Economic Report on Jan. 20, 1955:

TO THE CONGRESS OF THE UNITED STATES:

I am herewith presenting my Economic Report, as required by Section 3 (a) of the Employment Act of 1946.

In preparing this Report, I have had the assistance and advice of the Council of Economic Advisers. I have also had the advice of the heads of the executive departments and independent agencies.

I present below, largely in the words of the Report itself, what I regard as its highlights.

Sources of Economic Progress

With production and employment now increasing on a broad front, the events of the past year have borne out the major conclusions of the Economic Report of January 1954 concerning the state of our economy and the policies needed to promote sound economic growth.

Economic well-being sustains our whole national life. A high and rising standard of living brings to more of our people the opportunity for continued intellectual and spiritual growth.

The main sources of our Nation's economic strength are its free institutions and the qualities of its people—their ambition, skill, enterprise, and willingness to make great efforts in their own behalf and in behalf of their families and communities.

The need of our times is for economic policies that, in the first place, recognize the proven sources of sustained economic growth and betterment, and in the second place, respect the need of people for a sense of security as well as opportunity in our complex, industrialized society.

A free economy has great capacity to generate jobs and incomes if a feeling of confidence in the economic future is widely shared by investors, workers, businessmen, farmers, and consumers.

Many factors favor a continuation of our vigorous economic growth. The population is increasing rapidly, educational levels are rising, work skills are improving, incomes are widely distributed, consumers are eager to better their living standards, businessmen are starting new enterprises and expanding old ones, the tools of industry are multiplying and improving, research and technology are opening up new opportunities, and our public policies generally encourage enterprise and innovation.

With wise management of the national household, our country can within a decade increase its production from the current annual level of about 360 billion dollars to 500 billion, or more, expressed in dollars of the same buying power.

In the future as in the past, increases in productivity and in useful employment opportunities will be the core of economic expansion.

The role of the Federal Government in the achievement of these goals is to create an atmosphere favorable to economic activity by encouraging private initiative, curbing monopolistic tendencies, avoiding encroachment on the private sector of the economy, and carrying out as much of its own work as is practicable through private enterprise. It should take its full part at the side of State and local governments in providing appropriate public facilities. It should restrain tendencies toward recession or inflation. It should widen opportunities for less fortunate citizens, and help individuals to cope with the hazards of unemployment, illness, old age, and blighted neighborhoods.

Last year the Government took many steps, both legislative and administrative, to encourage economic expansion. Fiscal and monetary measures fostered an expectation of improving economic conditions and encouraged people to maintain a high rate of expenditure. The opportunities of competitive enterprise were enlarged; economic ties with other countries were improved; the floor of personal and family security was strengthened; and additions were made to our public assets.

The Economy Today

The year 1954 was one of transition from contraction to recovery. The contraction reflected the efforts of businessmen to reduce inventories, and was aggravated by a large reduction in military expenditures.

The contraction was relatively mild and brief, because of a variety of timely public and private actions.

The Government cut taxes, the Federal Reserve System eased credit conditions, and the Treasury arranged its financing so as not to compete with mortgages and other long-term issues. A comprehensive program for encouraging private enterprise was submitted to the Congress. Apart from this, the decline in private incomes was automatically cushioned by increased payments of unemployment insurance and other benefits and by sharp cuts in taxes due the Government on the reduced incomes.

Consumers maintained a high rate of spending, businessmen kept capital expenditures at a high rate, builders stepped up their activities, trade unions conducted their affairs with a sense of responsibility, farmers recognized the dangers of piling up ever larger surpluses, private lenders made ample supplies of credit available on liberal terms, States and localities carried out large construction programs, and export demand remained strong.

Although manufacturing production fluctuated, total output was fairly stable, and disposable personal income reached record levels. But some industries and localities suffered from serious unemployment. The fortunes of most of them turned for the better when recovery got under way in the early autumn, and they will benefit from further general economic expansion.

Instead of expanding Federal enterprises or initiating new spending programs, the basic policy of the Government in dealing with the contraction was to take actions that created confidence in the future and stimulated business firms, consumers, and States and localities to increase their expenditures.

The vigor of the recent recovery, which has already made up half of the preceding decline in industrial production, suggests that economic expansion will probably continue during coming months. It holds out the promise that we shall achieve a high and satisfactory level of employment and production within the current year.

A further expansion of consumer spending may reasonably be expected; we are soon likely to experience some rebuilding of inventories; the decline of Federal spending next year will be less rapid than during the last two years; State and local expenditure will probably continue to expand; the outlook for housing and commercial construction continues to be good; there is a prospect that plant and equipment expenditures may turn upward, as the general economic advance proceeds; the outlook for export demand is brightened by the economic resurgence of an ever-widening area of the Free World.

It is essential to keep a close watch on financial developments; continued economic recovery must not be jeopardized by overemphasis of speculative activity.

Toward Sustained Economic Growth

The wise course for Government in 1955 is to direct its program principally toward fostering long-term economic growth rather than toward imparting an immediate upward thrust to economic activity.

Further efforts to reduce Federal expenditures, together with increasing revenues from a tax base growing as the economy expands, should make possible some additional general tax reductions next year. Progress could then also be made in further lowering tax barriers to the free flow of funds into risk-taking and job-creating investments.

Government should persist in its efforts to maintain easy entry into trade and industry, to check monopoly, and to preserve a competitive environment. Continued encouragement should be given to small and new businesses.

Scientific research and development activities in all their phases should continue to have the earnest support of the Federal Government.

Measures by ourselves and other nations to reduce existing barriers to international trade, payments, and investment will make the Free World stronger and aid our own economic growth.

Measures should be considered to extend personal security against the hazard of unemployment, to strengthen minimum wage legislation, to protect savings in credit unions, and to increase the President's discretionary authority to vary the terms of insured mortgage loans in the interest of economic stability.

A great ten-year program to modernize the interstate highway system should be authorized.

Our partnership policies of water resource development should be further implemented by appropriate Congressional and local action.

Action should be taken this year to help meet our Nationwide needs for school construction. I shall shortly send to the Congress a special message that will deal with methods by which the Federal Government can appropriately assist in this vital field.

Support should be provided for an Office of Coordinator of Public Works Planning in the Executive Office of the President, and for a revolving fund for advances to the States and municipalities for public works planning.

Conclusion

Our Nation's recent history teaches that a foresighted Government can do much to help keep the economy stable, but experience affords no good basis for a belief that the Government can entirely prevent fluctuations.

We should harness the idealism as well as the intelligence of our generation to the practical end of facilitating the growth of private enterprise and of increasing the stability of our economy.

The Government will shoulder its full responsibility to help realize that goal.

DWIGHT D. EISENHOWER

HOW PRESIDENT'S COUNCIL ESTIMATES PROSPECTS

Following are excerpts from the Report of President Eisenhower and the Council of Economic Advisers that was sent to Congress on Jan. 20, 1955:

Basic Economic Tenets

The economic actions of this Administration and its program for the future rest upon certain basic propositions.

First, competitive markets, rather than governmental directives, are as a rule the most efficient instruments for organizing production and consumption.

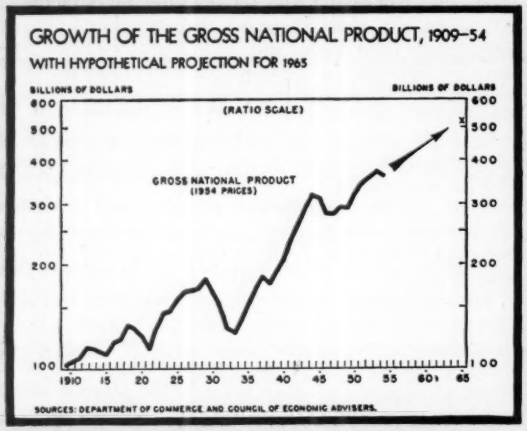
Second, a free economy has great capacity to generate jobs and incomes if a feeling of confidence in the economic future is widely shared by investors, workers, businessmen, farmers, and consumers.

Third, the Federal Government creates an atmosphere favorable to economic activity when it encourages private initiative, curbs monopolistic tendencies, whether of business or labor, avoids encroachment on the private sector of the economy, and carries out as much of its own work as is practicable through private enterprise.

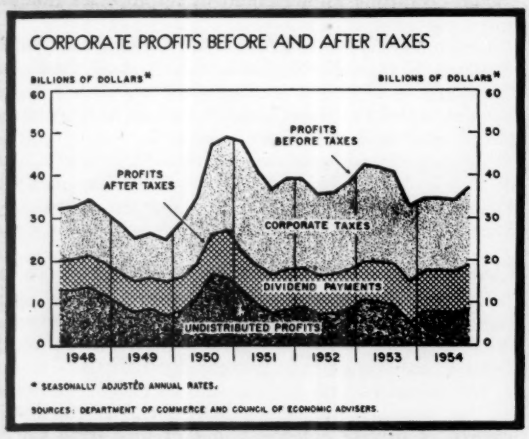
Fourth, the Federal Government generates confidence when it restrains tendencies toward recession or inflation,

HOW EISENHOWER

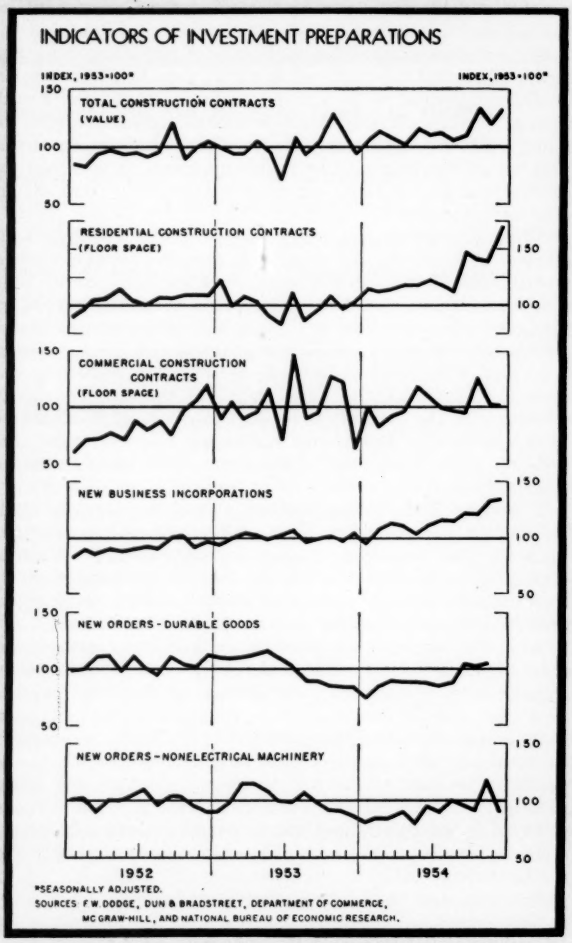
1. Total output is headed up



2. Business profits are climbing



3. Investment plans show strength



and does this by relying largely on indirect means of influencing private behavior rather than by direct controls over people, industries, and markets.

Fifth, the Federal Government contributes to economic growth when it takes its part, at the side of the States, in promoting scientific research and in providing public facilities, such as highways, hospitals, harbors, and educational institutions, on which the expansion of the private economy heavily rests.

Sixth, the Federal Government strengthens the foundations of the economy when it widens opportunity for its less fortunate citizens and, working in cooperation with the States and localities, helps individuals to cope with the hazards of unemployment, illness, old age, and blighted neighborhoods.

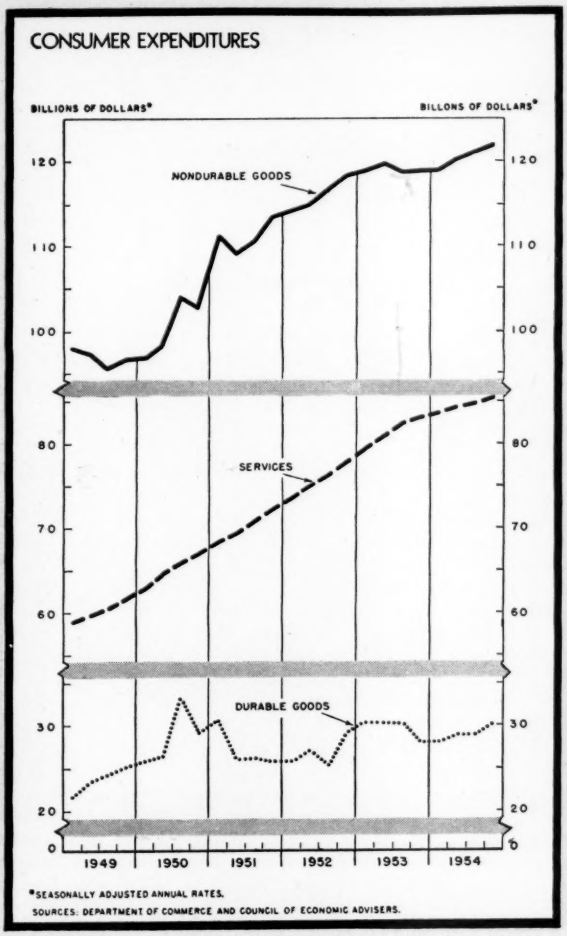
These economic tenets are basic and inseparable. They constitute guides to policies which, if pursued persistently, will advance us toward the goal of an increasing national income, shared equitably among those who contribute to its growth, and realized in dollars of stable buying power. In broadest outline they constitute the framework of an economic system that is at once strong and humane, a system that can provide both greater material abundance and a better quality of living.

The Growth Potentials of Our Economy

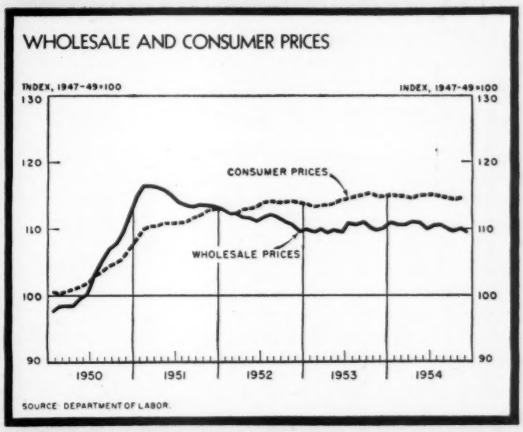
The American economy has created new jobs and produced marvels of abundance in the past. It should be able to do so in equal or even greater degree in the future. Our population is rapidly increasing, educational levels are rising, work skills are improving, incomes are widely distributed, consumers are eager to improve their living standards, busi-

CHARTS THE FUTURE

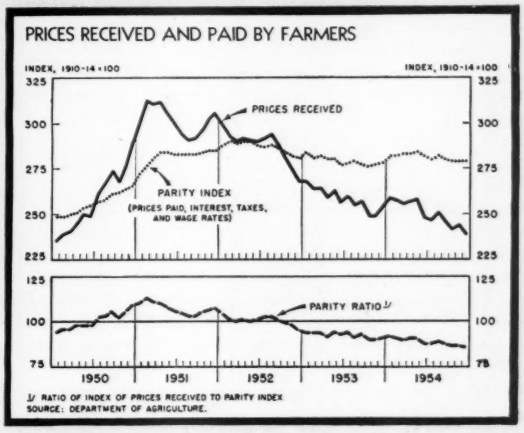
4. People are buying freely



5. Prices generally are steady



6. But farm prices still drop



nessmen are actively engaged in starting new enterprises and expanding old ones, the tools of industry are multiplying and improving, research and technology are constantly opening up new opportunities, and our public policies generally encourage enterprise and innovation. With so many favorable factors, a continuation of rapid economic growth may reasonably be expected.

An arithmetical calculation, based on a number of technical assumptions, the most important being that the average annual gains in productivity that we have had in recent times will occur in the future, shows that our country can within a decade increase its production from a current annual level of about 360 billion dollars to 500 billion or more, with the figures expressed in dollars of the same buying power. Of course, the record of the past sets no limit to our future achievements. Nor should we permit arithmetical projections to obscure the basic fact that an economy succeeds only as people succeed. Our economic future depends on the full use of the great treasure house of intelligence, skill, energy, and confidence of the American people.

A glorious economic future may be ours, but it is not vouchsafed to us. We shall achieve it only by wise management of our national household. In the future as in the past, increases in productivity and in useful employment opportunities will be the core of economic expansion. The tools and equipment used by farm, factory, mine and office workers must be multiplied and improved. Industrial techniques, materials, and management must become more efficient, and skills and morale enhanced, so that the amount of production for each hour worked will increase. And unless there are satisfactory jobs for those who seek useful employment, and unless human labor is devoted increasingly to the production

of goods and services that improve the quality of life, our gains in productivity may be dissipated.

Role of Government in Progress

The history of our country, as well as of other parts of the Western World, demonstrates that economic progress depends fundamentally on the enterprise and initiative of millions of people seeking to better themselves. In such a process of economic expansion the Government can play, however, a highly constructive role. Within its own proper sphere, the Government must be ready and willing to act. Indeed, failure or reluctance to play its part can be a serious handicap to economic growth, as would a similar lack of initiative on the part of private enterprise.

Among the activities essential to economic progress and in which there is a large public interest is the field of education, extending from education for literacy to the highest reaches of theoretical inquiry. Scientific and technical knowledge, research and development programs, and industrial innovation and its diffusion are the wellsprings of an increasing output per man-hour, upon which our hopes for a better life and more leisure in the future largely depend.

An enlightened public policy must therefore focus attention upon augmenting the number of young people who have scientific, engineering, and technical skills; upon encouraging creative thinking and invention; upon inducing business enterprises and nonprofit organizations to support expanding programs of research; upon enlarging the range and depth of Federal research and development programs in fields that cannot be covered adequately by private efforts; and upon hastening the industrial application of new methods and ideas through new investments.

Public policy must also protect incentives and encourage a spirit of enterprise and innovation among people. The man or woman who, in the hope of personal betterment, works harder, designs a new product, creates a new method, invests in a new business, moves to a new job, or suggests a new idea to his employer must believe that the rewards of initiative and effort are worth while. Through all of its policies the Government must encourage enterprising action by business managers, investors, and workers, in an environment that is kept basically free and competitive.

Economic progress entails changes in technology and commerce, and these changes require adjustments by people to new and altered ways of doing things. To insure that a dynamic economic environment involves a minimum of personal hardship and a maximum of new opportunity, governmental policies should be designed to ease the movement of people to new areas or new occupations. Through an ever wider possession of education, technical skill, and capacity for movement, new doors of economic opportunity can be opened and the remaining pockets of low income in our land can be reduced.

Expansion of private economic activity calls for great increases in the Nation's physical stock of public capital, as the Economic Report to the Congress in January 1954 pointed out. Government—State and local as well as Federal—has a responsibility to see that progress is promoted by adequate public works for education, medical care, transportation, conservation, and recreation.

The achievement of our economic goals requires that we further strengthen the floor of security for individuals and families in our industrialized society. When people have provided for minimum needs in their old age or in the event of misfortune, they are apt to become more productive and more venturesome participants in an expanding economy. A wise Government can help people to provide for these needs, without impairing their self-reliance.

A strategy for realizing our Nation's growth potential must include, as an indispensable part, measures by ourselves and others for gradually clearing the channels of trade, of payments, and of investments between nations, so that our people as well as others may devote themselves to the tasks in which they have a special advantage, and so that the Free World may be bound together by a mutually beneficial economic intercourse. Thus our Nation's security, as well as its material welfare, may be advanced.

Finally, we must continue to coordinate all governmental programs, especially monetary and fiscal policies, in order to restrain and offset any tendencies that may develop toward recession or inflation. An expanding economy requires increases in the supply of money and credit, but not on a scale that invites inflation in the present and possible depression in the future. The Federal Government should continue to manage its revenues, debts, and expenditures, and conduct its regulatory activities, so as to contribute to the expansive strength and stability of the economy.

* * *

Why the Contraction Proved Mild

The course of the recent contraction raises important questions for all students of public affairs, namely: Why did the economic setback of 1953-54 prove so mild on an over-all basis? Why did our total national output of goods and services decline no more than 4 per cent? Why did not the decline turn into the cumulative, spiraling depression that many feared and some expected? Why, to put a still more exacting question, did the gross national product decline from an annual rate of about 370 billion dollars in the second quarter of 1953 to 356 billion in the third quarter of 1954, or by 14 billion dollars in all, when the primary contracting factors—inventory spending and Federal spending—declined between them as much as 24 billion dollars?

These are difficult questions and they will doubtless engage the attention of scientific investigators for a long time to come. Nevertheless, some of the factors that contributed to the result are clear even today. Consumers not only maintained their spending at a consistently high level, but reduced their rate of saving during 1954.

Businessmen kept up their capital expenditures at a high rate, increased the flow of dividends to stockholders, and intensified their selling efforts. Builders and real estate developers stepped up their operations. Trade unions conducted their affairs with an eye to basic conditions and with a sense of responsibility. Farmers and their organizations recognized the danger of piling up ever larger surpluses. Commercial banks and other financial institutions made ample supplies of credit available on liberal terms. States and localities carried out large and expanding programs of school, hospital, and road construction. And the continuing recovery of Western Europe helped to augment our exports and to bolster the prices of internationally traded raw materials.

Clearly, many people had a part in stemming the economic decline and easing the readjustment from war to peace. The Federal Government also contributed significantly to the process of recovery. It influenced the economy in two principal ways, first, through the automatic workings of the fiscal system, second, by deliberately pursuing monetary, tax, and expenditure policies that inspired widespread confidence on the part of people and thus helped them to act in ways that were economically constructive.

Role of Federal Government

It is well to recall that we have developed in our country a fiscal system that tends to cushion or offset a decline in private income. When employment and income decline, tax receipts decrease and certain expenditures, such as unem-

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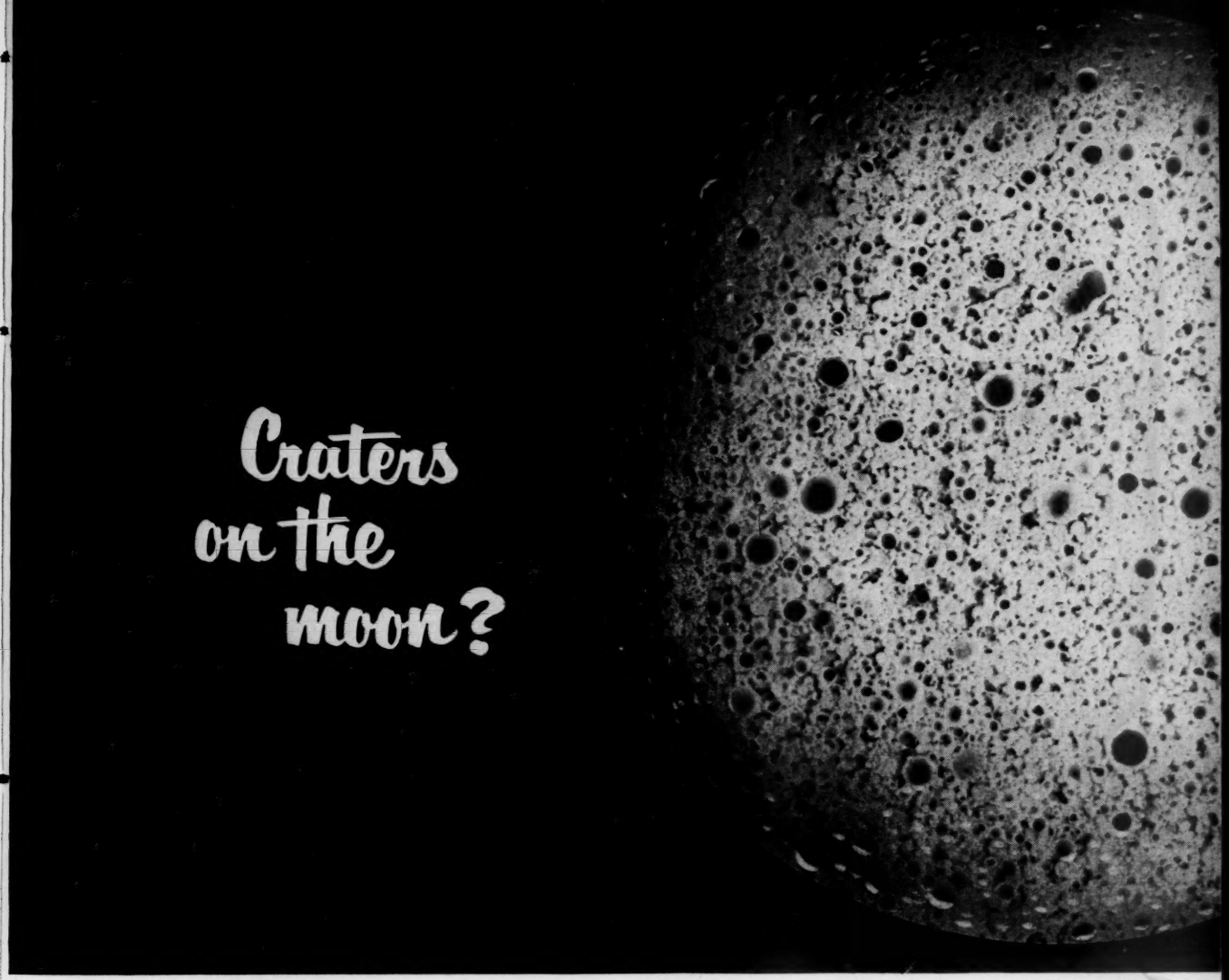


No, they're bubbles made of ALCOA Alumina by The Carborundum Company

Illustrated above is a cross-sectional view of something new in lightweight refractory material, a castable high-temperature cement made from ALCOA Alumina by The Carborundum Company, Perth Amboy, New Jersey. It's one of the world's best insulators in the upper temperature ranges of furnace operations. Mixed with water, the castable containing these pure alumina bubbles can be poured, begins to harden almost immediately thereafter.

Because ALCOA Alumina is so highly refractory, these cements withstand from 2800° to 3100°F depending on the type used. And, because ALCOA Alumina is one of the most stable and inert materials in existence, these cements show little or no shrinkage even at extreme heats . . . are inherently resistant to furnace atmospheres and combustion gases. Further, because of dead air space in the thousands of tiny alumina bubbles, you get an excellent insulator, one that lets a furnace heat up fast.

Carborundum finds that alumina bubbles can be used almost anywhere you need a top-quality refractory with the convenience of a castable. Back-up linings for nonferrous melting furnaces . . . burner blocks for core ovens . . . boiler furnaces . . . malleable annealing furnaces . . . side-wall back-ups. These bonded alumina bubbles are also offered as prefired brick and in special shapes.

If you are looking for *better* refractory performance at higher operating temperatures, look for refractories containing ALCOA Alumina. You'll find they last longer, require fewer tear-downs, are actually most economical.

ALCOA does not make refractories, but we will gladly discuss with you the properties and characteristics of the various ALCOA Aluminas. Write to ALUMINUM COMPANY OF AMERICA, CHEMICALS DIVISION, 701-A Alcoa Building, Pittsburgh 19, Pennsylvania.

ALCOA CHEMICALS

ALUMINUM COMPANY OF AMERICA

ployment insurance payments, automatically increase. These offsets cannot be counted on to prevent a depression, but they can be of very material assistance, as recent experience indicates.

Between July 1953 and July 1954 total personal income derived from production decreased at an annual rate of 4.4 billion dollars. In the meantime, unemployment insurance and other social security payments to the public increased at the rate of 2.2 billion dollars, while tax payments by the public—quite apart from the change in rates that became effective in January 1954—fell at the rate of another billion. These two factors alone served, in very large part, to offset the over-all decline of personal income from production, and their effects were augmented by the operations of the farm price-support system.

The experience of corporations was similar to that of individuals. While corporate income decreased at an annual rate of 7.4 billion dollars between the second quarter of 1953 and the second quarter of 1954, the tax liability of corporations was cut by 4.5 billion dollars merely as a result of a decline in income and quite apart from any change in the tax law. Once again, therefore, our taxing machinery automatically cushioned the impact of a declining income on the sums available to corporations for paying dividends or adding to their assets.

The Government was not content, however, to play merely a passive role in the economy. On the contrary, definite and deliberate steps were taken to promote a stable prosperity. One of the earliest acts of the new Administration, after taking office in January 1953, was to remove price and wage controls, in order to restore the functions of competitive markets. With a boom psychology existing at the time and unemployment at a vanishing point, this reform carried the danger of inducing fresh inflation. A precautionary policy of restricting credit expansion was therefore adopted. The aim was to prevent a reckless increase of investment and a deterioration in the quality of new credits, such as had often characterized the closing stages of economic booms in our history.

By May of 1953 it became clear that a policy of credit restraint had already accomplished this purpose, and that its further continuance might incite an anxious scramble for cash. The Federal Reserve authorities therefore proceeded promptly to ease credit conditions, first, by expanding the reserves of commercial banks, second, by reducing the reserves that the banks were required to hold against their deposits. In line with these actions, the Treasury arranged its financing so as not to compete with mortgages and other long-term issues. These steps were initiated before the peak of business activity had been definitely passed.

Later, in September 1953, when it was not yet generally appreciated that an economic decline had already begun and that the curtailment of defense spending might carry it further, the Secretary of the Treasury announced that the Administration, besides relinquishing the excess-profits tax, would not seek to postpone the reduction of the personal income tax, scheduled for January 1, 1954. The cuts served to reduce taxes during the next six months by 1.1 billion dollars, and it has been estimated that they will reduce taxes from July 1954 to June 1955 by 4.7 billion dollars. Although the tax reductions were partly offset by increases in social security contributions that also became effective in January 1954, the net effect was to increase substantially the money available to people for spending or investing.

The basic policy of the Government in dealing with the contraction was to stimulate business firms, consumers, and States and localities to increase their expenditures, rather than to expand existing Federal enterprises or initiate new spending programs. The success of this policy is evident in the present recovery. It is evident also in some of the unusual, and at first blush puzzling, characteristics of the recent contraction—the steady increase of disposable personal income, the almost uninterrupted rise of consumer spending, the expansion of State and local improvements, the maintenance of private investment in fixed capital close to peak levels, the expansion of the money supply, and the steadiness of the price level.

Tax reductions, along with unemployment insurance benefits and other social security payments, supported powerfully the income at the disposal of individuals and families. This can be seen from a simple calculation for the interval from July 1953 to July 1954. If we combine the effects, first, of the automatic reduction of tax payments resulting from reduced incomes, second, of the deliberate changes of tax rates that occurred in January 1954, third, of the expanded flow of unemployment insurance and related payments, we get a sum of offsets to a declining production income that comes to 5.2 billion dollars.

Since the income derived from production declined by an annual rate of only 4.4 billion dollars, the income available to the public for spending or saving actually increased by nearly 1 billion dollars. This remarkable result—namely, a rise in disposable personal income accompanying a 10 per cent decline of industrial production—has no parallel in our recorded economic history. Tax reductions not only offset reductions from production income; they also helped to make production income itself larger than it would otherwise have been. As noted previously, corporate profits before taxes fell at an annual rate of 7.4 billion dollars between the second quarter of 1953 and the second quarter of 1954.

Meanwhile, the reduction of taxes that automatically accompanied the decline of income, coupled with the removal of the excess-profits tax, reduced the tax liability of corporations at an annual rate of 5.5 billion dollars, and thus offset the greater part of the reduction of corporate income.

Had it not been for this reduction of taxes, it is unlikely that corporations would have increased their dividend payments at an annual rate of 300 million dollars during this period, thus bolstering the flow of personal income. Nor is it likely that they would have maintained their capital expenditures at so high a rate, thereby supporting the Nation's income base. And if this is true of corporations, it is not less true of individuals and families. With their disposable income increasing, people spent money rather freely and thus supported employment and the flow of income to themselves, their neighbors, and others.

The effects of monetary and debt management policies on the community's income stream are harder to trace than the effects of lower taxes, but there can be no doubt of their significance or pervasiveness. These policies were adjusted swiftly to changing conditions, and helped materially, first to prevent inflation, later to check contraction.

Before the recession of economic activity in 1953 had commenced, interest rates were already declining. Later in the year, the easing of credit terms became general, and extended from prime issues to those involving larger risks. Financial institutions, amply supplied with reserves or cash, sought opportunities to put their resources to use.

With the demand for business and consumer loans relatively low, they eagerly took up mortgages, municipal bonds, corporate issues, and Treasury obligations. As a result, the loans and investments of commercial banks increased by about 10 billion dollars during 1954 and the money supply increased further—especially in the second half of the year.

Had it not been for the increased availability of credit and the easing of terms, the fast pace of residential, commercial,

(Continued on page 50)

WHEN David's dad was David's age, his family used electricity mostly for lighting, in fixtures like this...

Suppose you collected all your appliances for a photograph like this one. How would they compare with this Sellersville, Pa., family's? Here are the Hoageys of 340 Church St.—son David and his parents, Mr. and Mrs. Lloyd A. Hoagey. (A daughter, 18, is attending Pennsylvania State University.) Check your time and work saving appliances with the number the Hoageys have.

Today David's family uses electricity mostly for appliances—52 of them—and enjoys far more and better lighting. Today they use seven times as much electricity. But they pay just a little more than twice as much for it.

When David has his own home he will have many more new electric appliances. He'll be using twice as much electricity as his dad is using today. And he will have all the electricity he needs—because America's electric light and power companies are building ahead so there will always be plenty. That's one reason why there's no need to increase the public debt by building more unnecessary federal government power projects.

AMERICA'S ELECTRIC LIGHT AND POWER COMPANIES*

**Names of the Electric Light and Power Companies publishing this advertisement available from this magazine's advertising department.*

"YOU ARE THERE"—CBS television—witness history's great events

and State and local construction, which did so much to stabilize the economy during the past year, would not have been attained. Nor would consumers have been able so easily to arrange financing for a part of their expenditure. Nor would the liquidation of inventories have proceeded with so little disturbance to markets or general economic activity.

It is well to recognize, however, that the reasons for the success of recent policies are not to be found in them alone. Tax reductions, however attractive they may seem when the economy is declining, will not necessarily lead to an increase of spending or investing. Easier credit conditions, larger bank reserves, even a larger money supply will not necessarily put new money to work in industry. Management of the public debt so as to avoid competition with mortgages and other capital issues will not necessarily increase private capital formation.

• • •

Lessons From Experience and Guides to the Future

In the course of our latest encounter with the business cycle we have learned or relearned several lessons.

First, that wise and early action by Government can stave off serious difficulties later.

Second, that contraction may be stopped in its tracks even when governmental expenditures and budget deficits are declining, provided effective means are taken for building confidence.

Third, that monetary policy can be a powerful instrument of economic recovery, so long as the confidence of consumers and businessmen in the future remains high.

Fourth, that automatic stabilizers, such as unemployment insurance and a tax system that is elastic with respect to the national income, can be of material aid in moderating cyclical fluctuations.

Fifth, that a minor contraction in this country need not produce a severe depression abroad.

Sixth, that an expanding world economy can facilitate our own readjustments.

These teachings of experience should serve us well in the years ahead, though we must always be alert to the special needs of every new situation.

As our minds turn from the past to the future, the basic fact to keep before us is that, while the groundwork for the recent recovery was laid by the Government, the recovery itself was brought about by the American people. A mood of confidence about the economic future has been gradually developing in recent years, and the strength exhibited by our economy last year has reinforced this trend.

A large and increasing number of business managements have become accustomed to thinking in ambitious, long-range terms. Expecting our economy to grow and prosper, they do not permit minor variations in sales to divert them from the objective of strengthening, or at least maintaining, their competitive position five or ten years later. Hence they boldly allot large sums to research, plan capital expenditures well beyond immediate needs, launch extensive investment projects, and even judge one another by these yardsticks no less than by profit-and-loss statements.

The economic horizons of consumers are also widening. One of the marvels of our generation has been the growth of consumer capital—modern homes, automobiles, radios, television sets, washing machines, air conditioning units, electric dryers, food freezers, and so on in an ever longer list. Perhaps at no time in the past has the desire for material improvement played so large a role in the economy as it does today. Consumers continue to visit bargain basements but their preferences run strongly toward the latest contrivances, newest conveniences, and premium grades. And if people are no longer timid about borrowing to expand their current spending, they are also willing to work hard to acquire the incomes needed to live as they feel they should.

Output of some rapidly growing consumer commodities and services

Commodity	*Unit*	*1940*	*1948*	*1953*	*1954**
Air-conditioning units, room	Thousands	†	73	1,045	1,230
Antibiotics	Thous. lbs.	2	243	1,630	1,780
Blankets, electric	Thousands	†	675	948	1,050
Dryers, clothes	Thousands	58	92	737	890
Freezers, farm and home	Thousands	†	690	1,090	975
Frozen foods	Million lbs.	431	1,163	3,500	3,800
Furnaces, warm air, oil and gas	Thousands	123	379	925	1,110
Oil burners, residential	Thousands	264	420	852	800
Oleomargarine	Million lbs.	320	908	1,292	1,320
Shavers, electric	Thousands	900	1,650	3,500	3,950
Synthetic detergents	Million lbs.	30	550	2,134	2,350
Synthetic fibers, other than rayon	Million lbs.	5	75	301	320
Television sets	Thousands	†	980	7,215	7,400
Waste food disposals	Thousands	†	175	325	360
Water heaters, electric and gas	Thousands	676	2,540	3,002	3,075
Service					
Cleaning and dyeing	Index, 1940=100	100	302	369	367
Repairs, household durables	Index, 1940=100	100	326	912	1,170
Revenue passenger miles flown	Billions	1	6	16	17

*Preliminary. †Production was relatively small.

Source: Department of Commerce, based on data from various private and Government sources.

With the business cycle apparently under reasonable control, with the size of population growing rapidly, with science and technology adding new wonders each day, with incomes distributed widely, with mass markets expanding to match mass production, and with governmental policy steering a middle course between the political extremes, both material and psychological factors are peculiarly favorable to economic progress. Hence, the business recovery now under way is powerfully supported by underlying forces of economic growth.

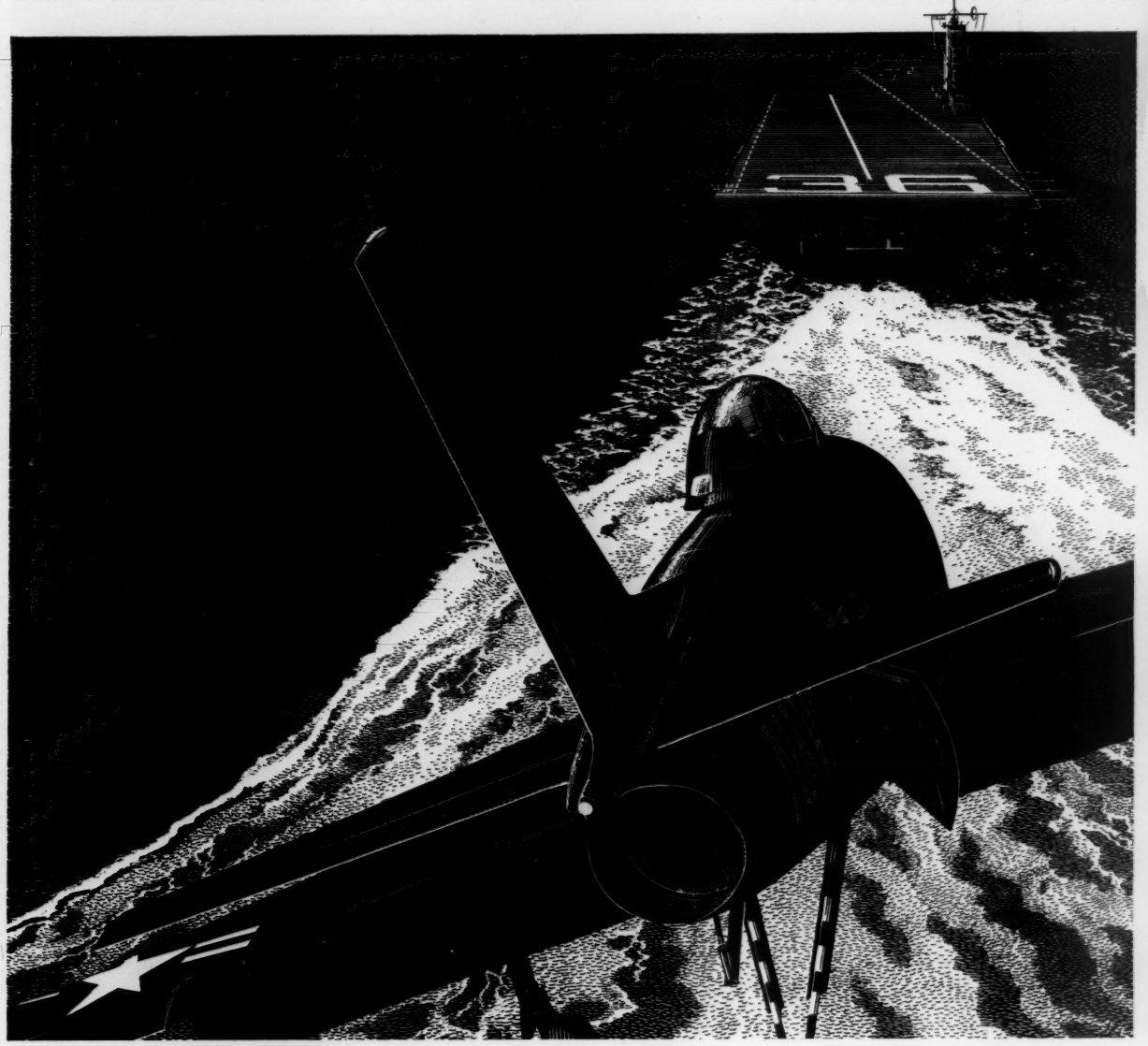
While only of very recent date, the recovery is widespread and has already made up half of the decline that had occurred in industrial production. The rate of inventory liquidation has sharply abated, and we are soon likely to experience some rebuilding of inventories. The projected decline of Federal spending is less than in the past two years. State and local expenditure will probably continue to expand and more than offset any further decline that may occur in Federal expenditure.

The recent increase of housing starts and the rush of applications to Federal agencies for mortgage insurance or guarantees promise that home building will continue to mount for some time. The recent high level of commercial building contracts is practically sure to mean a high level of expenditure for this type of construction over coming months. The prospects for plant and equipment expenditure are more uncertain; however, rising orders for machinery, to say nothing of the new plans and revisions of old plans that are likely to accompany continued recovery, give a basis for expecting that this broad category of expenditure will soon join, though perhaps only modestly at the start, the general economic advance.

In view of the resurgence of the economy of Western Europe and the reduction of restrictions against dollar trade, it seems likely that our exports will continue to increase. The spirited behavior of retail sales in recent months has borne

(Continued on page 52)

NORTH AMERICAN HAS BUILT MORE AIRPLANES THAN ANY OTHER COMPANY IN THE WORLD



FURY ON THE HIGH SEAS

U. S. Navy FURY JETS . . . fast and rugged . . . mean new and greater striking force for this country's sea-borne airpower. Capable of speeds in excess of 650 miles an hour and armed with 20 mm cannons, swept-wing FURY JETS emphasize advanced Navy might in the air.

Latest of the FURY series to come off North American production lines is the FJ-3 . . . faster, more powerful companion of the Marine Corps FJ-2 . . . and the fourth in this growing fighter family, the FJ-4, is now going into production.

Research and development make North American foremost in aircraft, rocket engines, guided missiles, electronics and peaceful applications of atomic energy.

ENGINEERING AHEAD FOR A BETTER TOMORROW

NORTH AMERICAN AVIATION, INC.

out earlier surveys of consumer attitudes. Further expansion of consumer spending may be expected as economic recovery cumulates.

Beyond these indications of immediate or short-run prospects is the fact that new firms are being established at an increasing rate, and that the offices of architects are reported to be bursting with plans for new homes, schools, and all sorts of commercial and industrial projects. Still further in the future, but already a factor in business thinking, is a new national highway system, which will create great economic opportunity in many directions.

In the course of the current year, the economic situation may therefore be expected to continue to improve. The gross national product increased from an annual rate of about 355 billion dollars in the third quarter of 1954 to about 360 billion dollars in the fourth quarter. With economic activity continuing to expand, it is reasonable to expect that the Nation's output within the coming year will approximate the goals of "maximum employment, production, and purchasing power" envisaged by the Employment Act.

At this juncture of our economic life, when confidence is running especially high, it is well, however, to keep in mind the sobering fact that there is no way of lifting more than a corner of the veil that separates the present from the future. How long the current phase of expansion will continue before new international trouble or a cyclical reversal of business occurs, or how far the expansion will carry, it is impossible to say with great assurance. The uncertainty of economic predictions requires that the Federal Government be prepared to adjust its policies promptly if economic events should not bear out current expectations.

Over coming weeks or months we should, however, be careful not to confuse seasonal fluctuations in employment or special fluctuations of individual industries or markets with over-all economic trends. It will prove helpful to keep in mind that a business recovery never retraces the precise path of the preceding contraction, and that this divergence is apt to be sharpest in postwar movements. The prosperity that some industries and localities attained during the Korean conflict, and which they have now lost, will not be regained quickly in all instances. Here and there the process of readjusting to reduced markets may be prolonged, although it will be greatly eased as general economic expansion continues.

We must also remember that, just as economic expansion resolves old problems, so it often brings new ones in its train. History tells us that industrial disputes have usually been more frequent in periods of expansion than in periods of contraction, and that industrial disputes sometimes have serious economic repercussions. History also warns us that activities which involve the discounting of a long future, as in the case of home purchases or the pricing of corporate shares, may be carried to excess in the course of a business expansion.

Fortunately, when speculative trends develop, they usually become self-corrective before they become excessive. It is highly desirable that corrective movements, testing the soundness of various parts of the economy, be scattered over a period of time rather than culminate at the same time. As the recent increase of stock margin requirements by the Federal Reserve Board has demonstrated, the Government is mindful of its great responsibility to help assure balanced economic growth.

It is essential to keep a close watch on financial developments. Continued economic recovery must not be jeopardized by overemphasis of speculative activity.

° ° °

Since our economy is currently operating at rather high levels and a recovery from the mild decline of last year is well under way, we should strive this year to bring Federal cash receipts and cash expenditures into balance. With huge expenditures for our national security continuing, the financial requirements of the Government will not permit reductions this year from present tax rates. Prudence requires that the lowering of the corporate income tax and of excises, scheduled for April 1, 1955, be postponed.

It should, nevertheless, be recognized that present taxes are still a heavy burden. Lower taxes would tend to encourage work, promote more efficient business practices, and create more jobs through new investments. Fortunately, with our economy continuing to expand, we can look forward to larger Federal revenues from existing tax rates. This, together with further economies in expenditure, should make possible next year another step in the reduction of taxes. Congress might then consider enacting a general, though modest, reduction in taxes and, at the same time, continue the program which was begun last year of reducing barriers to the free flow of funds into risk-taking and job-creating investments.

° ° °

Since the anticipated balance in the cash budget for the fiscal year 1956 will involve a deficit in the conventional budget of 2.4 billion dollars, it is clear that the debt limit will have to be raised. The increase should be large enough to provide the Treasury with the necessary latitude to do its job. It would be imprudent to set a new statutory debt limit which left virtually no margin for unpredictable fluctuations in Federal receipts and expenditures. A higher limit will in no way lessen the persistent efforts of the Administration to reduce expenditures further, but it will enable the Treasury to discharge its financial responsibilities more effectively.

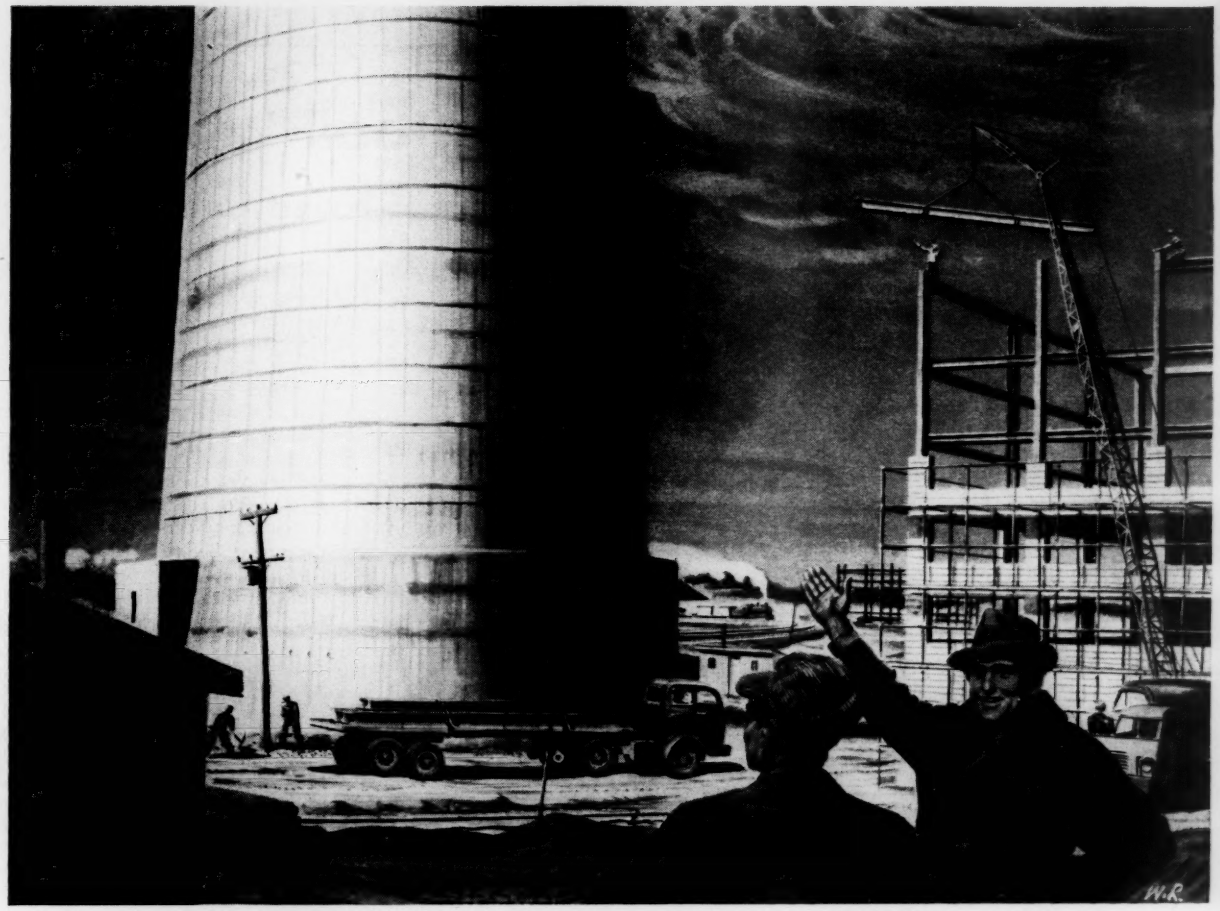
° ° °

The past quarter-century has taught our generation to be highly sensitive to economic changes. The protracted depression of the thirties, and the inequities of wartime and postwar price inflation, have made us intolerant of extensive fluctuations in incomes, in employment, or in prices. Economic statistics are now closely scrutinized and widely commented upon by men and women in different walks of life. The American people apply more exacting standards to the performance of our economy than they did fifty or even five years ago. They expect their Government to pursue policies that foster a smoother rate of economic growth than was experienced in the past.

The growing confidence of people in their Government's ability to moderate economic fluctuations is desirable and not misplaced. A better-informed public with an increased awareness of economic change will tend to bring about higher standards of economic performance. This increased knowledge on the part of the public should, however, be accompanied by a realistic understanding of the practical difficulties in attaining increases in total production, employment, and personal income, entirely free from interruptions. Neither in our own history nor that of any other country has an economy ever attained this ideal for a long period of time.

The experience of Government in dealing with fluctuations in employment and incomes is not of long standing, and there is much yet to be learned about the problem of economic stability. For this reason, it is to be hoped that rigidity of judgments will not interfere with continued flexibility of policies and administration.

We have learned from experience that the Government can do a great deal to moderate economic fluctuations, but there is as yet no good basis for the belief that it can entirely prevent them. A democratic government needs time, especially when current reports are conflicting, to meet a given economic situation. Moreover, the effects of its actions—whether in augmenting or in restraining demand—require time to work themselves out. Government ought not to be continuously veering its course, although it should act promptly and decisively when a threat to economic stability emerges.



Now well underway, this huge Inco recovery plant near Copper Cliff, Ontario, has the tallest smelter chimney in the world; its stainless steel cap is 637 feet above the ground.

Soon...iron from a Nickel mine!

Pioneering new Inco process will add 1,000,000 tons a year to North America's high-grade iron ore resources

There's *good* iron in nickel ore. Iron to make premium-grade open hearth ore for the steel plants of North America. Lots of it!

For years, all over the world, iron from nickel ore has been wasted in slag or tailings. No one had found out how to extract this iron economically.

Now, after years of laboratory and pilot plant study, International Nickel Company has solved the problem with its new atmospheric pressure ammonia leaching process.

Building huge, new plant!

As a measure of the promise of this new process, International Nickel is putting $16,000,000 into **the first unit of a** huge new plant.

The equipment to be used is truly gargantuan requiring some of the largest machines of their types in the world. And the production potential of this Inco-made, miniature Mesabi is 1,000,000 tons of iron ore a year. *The highest grade iron ore ever produced in quantity on the North American Continent!*

Many recent Inco advances in extraction metallurgy!

Copper-nickel separation by matte flotation! Oxygen-flash smelting of copper concentrates! And now, iron from nickel ore! *All part of an improvement and expansion program that will cost over $200 million. These outstanding advances reflect International Nickel's continuing interest in stepping up production, in keeping costs down through maximum utilization of ores.*

"The Romance of Nickel" makes interesting reading for any executive. Write for a free copy of this 56 page book. The International Nickel Company, Inc., Dept. 2d, New York 5, N. Y.

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Producer of Nickel, Inco Nickel Alloys, Copper, Cobalt, Tellurium, Selenium and Platinum, Palladium and Other Precious Metals.

How to Get Big-Time Football

Soft Jobs, Snap Courses Found Lures to Players

Winning football teams don't just happen. Behind the triumphs of the top colleges lies a big, competitive business in getting the right players and treating them right.

Educators' report on Maryland, America's No. 1 team in 1953, is off the secret list. It tells you what goes on.

What's behind the scenes of big-time college football? What happens on the campus of a university that manages to come up with the country's top team?

You now can get an inside look at the business of producing a winner in the annual autumn scramble for American gridiron glory. The look is provided in an "evaluation report" made by investigators for the Middle States Association of Colleges and Secondary Schools, one of six accredited groups in the country. The full report, just released, was kept on ice for more than a year.

Subject of the report is the University of Maryland. That institution made a good case history for the evaluators because, in 1953, the year they wrote the report, national polls of sports writers and coaches ranked the Maryland football team first in the nation.

Educators say, however, that the policies and practices portrayed in the report seem fairly typical of other universities with winning football teams.

Main charge made by the Middle States investigators is that Maryland, in recruiting football players from other States, violated rules of both the Atlantic Coast League and the National Collegiate Athletic Association.

This and other charges have been rebutted by both Wilson H. Elkins, the University's new president, and James M. Tatum, athletic director and football coach.

Half-million business. The evaluation report notes that, in 1952-53, Maryland spent more than $500,000 on intercollegiate sports. It then tells a story of alleged favored treatment of athletes, with football players being favored in turn over the others.

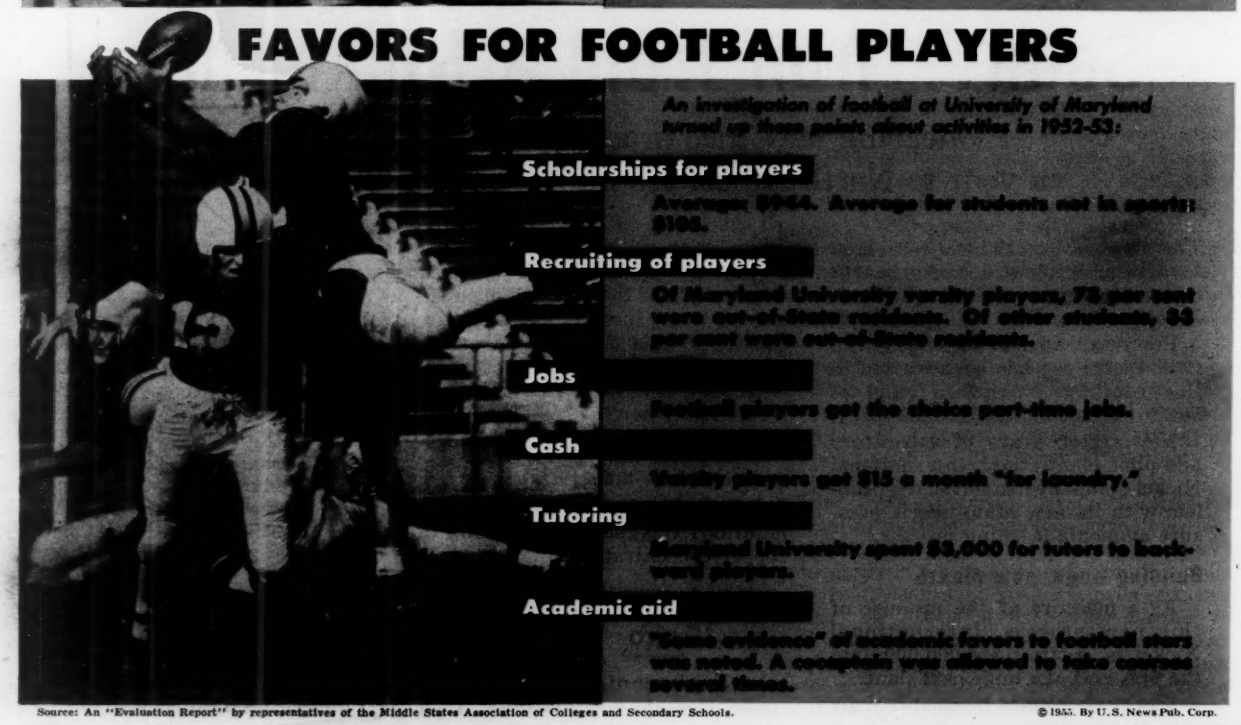
"In 1952-53," the report says, "an amount of $3,000 was devoted to tutoring of football players. No money was made available for participants in other sports.

"Full training-table privileges are maintained for football players only, during the fall season. No other athletes receive meals except before a game . . . The Athletic Board also provides football players with a monthly allowance of $15 cash which is stated to be for laundry. This is the only cash paid.

"Part-time campus employment is made available to athletes as well as to other students.

"The chairman of the Athletic Board and Council on Intercollegiate Athletics is also in charge of campus employment opportunities for students. There is a tendency to favor athletes with 'softer' jobs on the campus."

(Continued on page 56)


FAVORS FOR FOOTBALL PLAYERS
An investigation of football at University of Maryland turned up these points about activities in 1952-53:
Scholarships for players
Average: $944. Average for students not in sports: $105.
Recruiting of players
Of Maryland University varsity players, 75 per cent were out-of-State residents. Of other students, 33 per cent were out-of-State residents.
Jobs
Football players get the choice part-time jobs.
Cash
Varsity players get $15 a month "for laundry."
Tutoring
Maryland University spent $3,000 for tutors to backward players.
Academic aid
"Some evidence" of academic favors to football stars was noted. A cocaptain was allowed to take courses several times.

Source: An "Evaluation Report" by representatives of the Middle States Association of Colleges and Secondary Schools.

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bridge to progress

Decentralization!

Once a nation of farm and city folk, three of every five of us now live in suburbs and small towns. This trend is strong in General Telephone territory. Here, in the communities we serve in 21 states, fields become factory sites . . . towns grow into cities. Providing that modern bridge to progress . . . dependable, low-cost telephone service . . . we are serving this new America. And growing with it.

GENERAL TELEPHONE SYSTEM

One of America's Great Telephone Systems

260 MADISON AVENUE, NEW YORK, N. Y.

GATEWAY TO BUSINESS IN INDIANA

The Indiana National Bank

OF INDIANAPOLIS

Condensed Statement of Condition

at close of business December 31, 1954

RESOURCES

Cash on Hand and on Deposit with Federal Reserve and Other Banks	$116,729,617.66	
U. S. Government Securities	188,024,865.67	$ 304,754,483.33
Other Bonds and Securities		25,881,879.67
Stock in the Federal Reserve Bank		750,000.00
Loans and Discounts		103,077,516.98
Bank Buildings		2,000,000.00
Accrued Interest Receivable		1,297,596.96
Other Resources		282,243.62
		$438,043,720.56

LIABILITIES

Capital	$ 10,000,000.00	
Surplus	15,000,000.00	$ 29,547,721.84
Undivided Profits	4,547,721.84	
Accrued Interest, Taxes and Other Expenses		2,287,620.64
Dividend Payable January 3, 1955		300,000.00
Deposits		405,173,110.76
Unearned Discount		626,059.73
Other Liabilities		109,207.59
		$438,043,720.56

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To back up this statement, the report quotes the campus newspaper, *Diamondback*, as saying that, while students employed in the dining hall have to work 21 hours a week for room and board, athletes serving as student proctors need only to keep order in dormitories and spend a few hours in the business office to get the same remuneration.

Aid for the varsity. The report lists five classes of scholarships available to athletes.

Of the full scholarships established by the board of regents—24 for men and 12 for women—all the men's scholarships go to athletes.

A number of General Assembly scholarships, covering fixed charges and handed out by legislators, are held by athletes.

Half of the University grants go to athletes and several Maryland Education Foundation scholarships are used for athletes alone. Finally, "some" alumni scholarships go to players.

How are the scholarships awarded? The evaluators report "actual practice" as follows:

"A certain number of scholarships are awarded to various sports. The chairman of the committee on scholarships and student aid then receives recommendations from the appropriate coach. According to information supplied to the evaluators, the chairman invariably takes the advice of the coach and continues to make awards until the allocations have been exhausted . . .

"The president approves the final list of scholarship recipients and approves the proportion of funds going to athletes."

The report also says: "Athletes, and particularly football players, are greatly favored in the award of financial assistance in the form of scholarships as indicated in the following data for 1952-53:

"(a) Scholarships averaging $320 were awarded to 507 students in the University. Of this number, 179 (35 per cent) were athletes and their scholarships averaged $715. Scholarships awarded to 328 nonathletes averaged $105.

"(b) Scholarships awarded to football players, 93 out of the 179, averaged $944. Scholarships awarded to 86 athletes other than football players averaged $466.

"(c) The 93 football players constituted 18 per cent of the scholarship recipients. They received 54 per cent of the scholarship funds made available to the 6,323 undergraduates.

"(d) Football players received 69 per cent of school aid going to athletes.

"(e) Scholarship aid was awarded to 91 per cent (93 out of 102) of football players.

"(f) Approximately 8 per cent of the student body (athletes) received 54 per cent of the scholarship aid granted."

The out-of-Staters. Where did Maryland's great team come from? In 1952-53, the evaluators say, 5,691 of the 8,423 University undergraduate and graduate students on the campus were Maryland residents. But of the 53 varsity football players listed in the program for the game of Nov. 14, 1953:

Fourteen were from Maryland.
Twenty-five were from Pennsylvania.
Fourteen were from other States.

"The above facts indicate," the report goes on, "that while 67 per cent of the students at Maryland come from that State, only 27 per cent of the football players are from Maryland . . ."

How did the players get to Maryland? The evaluators report: "With respect to recruitment of athletes, there appears to be no doubt that Maryland has a deliberate and forceful plan in this regard." The report says the Middle States Association has received "at least three unsolicited complaints" about Maryland recruiting activities, cites "one well-documented and substantiated example" as follows:

"A boy was admitted to the premedical curriculum of the college of his choice (not the University of Maryland) where, on the basis of need, he was awarded a $250 part-tuition grant and a one-meal-a-day waiter's job. In the latter part of the summer he participated in an annual all-star high-school football game. An assistant coach from the University of Maryland interviewed the boy after the game, either in the dressing room or the corridor, and subsequently interviewed him in his high school also.

"The coach, according to the student, promised him admission and full financial assistance of a total value of $944 a year. The student was also assured of tutoring if needed. The boy canceled his registration at the first college on September 1 and enrolled at the University of Maryland."

In replying to this charge, Mr. Tatum, the Maryland athletic director, says the assistant coach did not know the boy had enrolled at a college in Pennsylvania; also, that the youth's uncle, a resident of College Park, Md., wanted him at Maryland. President Elkins refers to the matter as "an isolated case" and says: "Our people say they have documentary evidence the implication is not correct."

Stars in class. What do football players do in classrooms? The report says that at Maryland there is no academic regulation on the time a student may take to finish his degree. "Students are allowed to repeat some courses as

(Continued on page 58)

$3 billion expansion in power facilities centers in "The Hub"

There have been many changes since the days of Paul Revere, and Bunker Hill, but the spirit of pioneering is still dominant in New England.

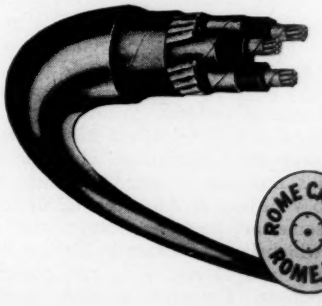
Now the great city of Boston has become the busiest fishing port, and the largest wool market, in the United States. It handles more commerce in shoes and leather than any other city in the world. New industries, many of them spawned by research in its famous educational institutions, burgeon in its environs.

This brisk advance is typical of the growth that has taken place in all of New England. In the past 7 years the consumption of electric power in that region has increased by 50%.

The utilities in the Electric Coordinating Council of New England have spent more than half a billion dollars for new facilities since the end of World War 2. Their long-range planning contemplates expenditure of an additional $2½ billion by 1975.

To be of any use, every watt of electricity must be transmitted from generator to light fixture, motor, or other outlet over wires and cables. For dependable service those wires and cables must be of top quality, all engineered to exacting specifications to fit particular applications.

Supplying the wires and cables that give top quality performance is Rome Cable's business. Its rapid growth to a position of leadership in the industry is eloquent testimony of its success. "The Story of Rome Cable" tells how this leadership was achieved. Send for your free copy today.



RoMa·ine-RoPrene® all-purpose power cable combines moisture- and heat-resistant RoMarine insulation with RoPrene (Neoprene) sheath. Can be installed direct in earth or aerially. Underwriters approved as Type USE.

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(Advertisement)

plant-location news

Find the labor you need... where you need it

"I want cross-helical-coiler operators for my new plant. As well as tufters and grommeters to work on finished assembly. Can you tell me where to find them?"

Chances are your labor requirements for a new plant location won't be as unusual as these. But they'll probably need just as much specialized information and fact finding. You'll have to know where the right labor force is located or can be recruited, prevailing rates for a wide range of job titles, age, sex, and skills of available workers and up-to-the-minute details on union-management relations. Our Industrial Location Service knows *all* these facts—and many more—for every locality in New York State. And we'll be glad to send you exactly the information you need quickly and without cost, on sites that meet your particular requirements.

Facts and figures . . . tailor-made

ILS labor specialists prepare reports giving a detailed breakdown of the labor force. You'll get an accurate estimate of the percentage of the labor force now available at new sites.

And ILS can also supply rates for various labor skills, or ranges of rates for more general labor requirements. Along with this you can get data on the availability of male and female workers, the number of people adaptable to precision work, and facts on recognized training schools for workers.

The ILS labor team constantly studies new developments in the industrial-labor field. As a result, we're in a position to offer the best possible facts on labor at specific New York State locations.

One other thing about this free ILS service —all inquiries are handled in strictest confidence, so that no undue interest or speculation is aroused in the field.

Other free plant-site services

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Ronald B. Peterson

Director, Industrial Location Service

often as they wish in order to raise their grades."

The evaluators present 16 case histories of scholastic records made by Maryland football players. Following are excerpts from No. 16, the lengthiest, which concerns one of the star players:

"Out-of-State . . . IQ 85. Ranked bottom one half of his high-school class . . . now spending his fifth full year at the University; attended in addition three summer sessions . . .

"Rated a junior in his fifth full year; nevertheless met all eligibility requirements . . . in summer session of 1952 enrolled in two physical-education courses entitled 'Tennis' and 'Golf' for two semester hours."

In his fifth year, the evaluators continue, he was enrolled as follows: Physical Education 6, "Sport Skills," 2 semester hours—repeating the course which he also took in his fourth year, a required freshman subject. Physical Education 65, "Sport Skills," 2 semester hours—a required sophomore subject. Physical Education 40, "Basic Body Control," 1 semester hour—a required freshman subject. Education 2, "Introduction to Education," 2 semester hours —repeating the course which he took in his first year at the University. History 5, "History of American Civilization," 3 semester hours—repeating the course which he took twice in his first 3 years; received D and F in two previous attempts. Government and Politics 1, American Government, 3 semester hours —repeating a course which he took in his second year.

In his first year, the evaluators report, this football star received D in Voice and Diction. He retook it in his fourth year and received a C.

The two sides. In a summary, the evaluators say that "unmistakable evidence of overemphasis" on the intercollegiate sports has endangered the University of Maryland's integrity. Their report now has been given to the Maryland General Assembly. The University is still an accredited institution, but the representatives of the Middle States Association voted to defer a decision on renewal of its accreditation status till 1956.

President Elkins of the University suggests the Middle States group may have been influenced "to look out the corner of its eye at athletics by the picture of a large stadium and a small library."

Mr. Elkins, himself a former University of Texas quarterback, recently succeeded H. C. Byrd as head of the University. Mr. Byrd was president at the time of the report.

Other persons familiar with the inner business of university football say that what the evaluators found at Maryland they could probably find, even in greater degree, at some other schools with successful football teams. For evaluators of the future, they believe, there is plenty of unplowed ground behind the country's gridirons.

—Fairchild Aerial Surveys

FOOTBALL AT THE UNIVERSITY OF MARYLAND
"... a large stadium and a small library"

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What Europe Did With 25 Billions

Revived Industry . . . Raised Living Standards

Booming Europe can thank U. S. for much of its new-found prosperity. That's the opinion of Europe's own businessmen.

U. S. financing and equipment helped the Europeans tool up after World War II and modernize their battered plants.

Now American know-how that went abroad as part of U. S. aid is helping European industry set new production records.

PARIS

Europe, in 1955, is reaping a new harvest of dividends from the billions of U. S. aid dollars plowed into its recovery since the end of World War II.

The U. S. Congress is considering now a new 3.5-billion-dollar aid program that will boost to more than 57 billion the grants and credits sent abroad by America since 1945. More than 25 billion has gone to West Europe in economic aid alone (see chart).

To find out what happened to the money, members of the Board of Editors of *U. S. News & World Report* have just completed an on-the-spot survey of the role American aid is still playing in Europe. The survey was made at a time when European business is the best it has ever been. From Oslo to Athens, factories, mines, ports and power plants are working close to capacity. Industrial output is more than 50 per cent higher than before the war.

The contribution to this prosperity made by U. S. aid shows up all over Europe in one form or another. It can be seen in two giant French rolling mills, one-third financed by the U. S., which this year are producing 65 per cent of the country's sheet steel. It can be seen in a U S. aircraft carrier, converted into a floating factory that is canning fish oil in Norwegian waters. It can be seen in a thriving new coal port on Turkey's Black Sea coast—a port that was half financed by U. S. aid.

Economists cannot estimate exactly what share of Europe's boom is the result of U. S. aid, but they do say that gift dollars helped the Continent recover after World War II twice as rapidly as after World War I.

About 2 billion dollars' worth of American machinery and transport equipment has been shipped to Europe since the start of the Marshall Plan. Another 4 billion dollars' worth of European-made equipment has been financed through "counterpart" funds—local-currency funds built up by Europe's governments through the sale of American aid shipments to businessmen and consumers.

The Europeans themselves invested more than 10 dollars in industrial expansion for every dollar's worth of machinery financed by the U. S. But often it was the U. S. aid, provided on a matching-funds basis, that stimulated Europe's own investment.

Europeans tell their stories. How do European businessmen and industrialists

Source: Commerce Department

appraise the value of past U.S. aid? Talks with them in their plants and offices provide answers in their own words.

"A stroll through our plant," said a director of the SIMCA automobile company in Paris, "will show you what U. S. aid has done for SIMCA and what SIMCA, as a result, now is able to contribute to French prosperity. We have invested 24 million dollars in plant expansion and modernization since 1949. Marshall Plan loans provided one fourth of that sum, and we used most of it to buy new American machinery.

"Our production has increased sevenfold since 1947. Our exports have doubled since 1952. Our stock on the Paris Bourse has tripled in value in a year."

More than dollars came from the U. S. to spur Europe's recovery. Modern American machinery and American industrial techniques are in use in plant after plant. This is what it has meant to Vittorio Valletta, President of Fiat, Italy's largest manufacturing company:

"The Americans gave us their very best in the way of equipment. We did not have to go through those [postwar] years modernizing ourselves, but were able to start in at the high point America had reached. This was very important.

"We were helped not only by the actual financial aid and by the modern equipment we received, but by what we learned from the Americans about productivity, human relations and so on. That instruction in methods was very important, too. We are keeping up with America in rate of production increase, and we are keeping up in modernization. None of this would have been faintly possible without the American aid."

Change of heart. A frequent complaint made about the aid program during its biggest years was that the assistance went to the big industrial outfits, and the little companies were left out in the cold. Talks with top men in both big and little enterprises now, however, show very little criticism on that score.

"I think the policy was justified for two reasons," said Mr. Valletta. "First, the big enterprises were the most damaged by the war and it was urgent to get them back into production. Second, the big enterprises form the basis of work for the little and medium companies. If you hadn't put the big ones into a position to work as soon as possible, you wouldn't have given work to the little and medium enterprises, many of which earn their way by subcontracting."

To which a French railway-car manufacturer agreed in these words:

"The big companies, private as well as nationalized, got most of the Marshall Plan aid. We little fellows were unable to get the French Government to authorize American help, but we benefited from the Marshall Plan indirectly.

"With the big fellows supplied with Marshall dollars, we were able to get dollars allocated from French export earnings. We've been able to buy $500,000 worth of machinery in the United States and other hard-currency countries. That represents about one sixth of our investment in new equipment since the war."

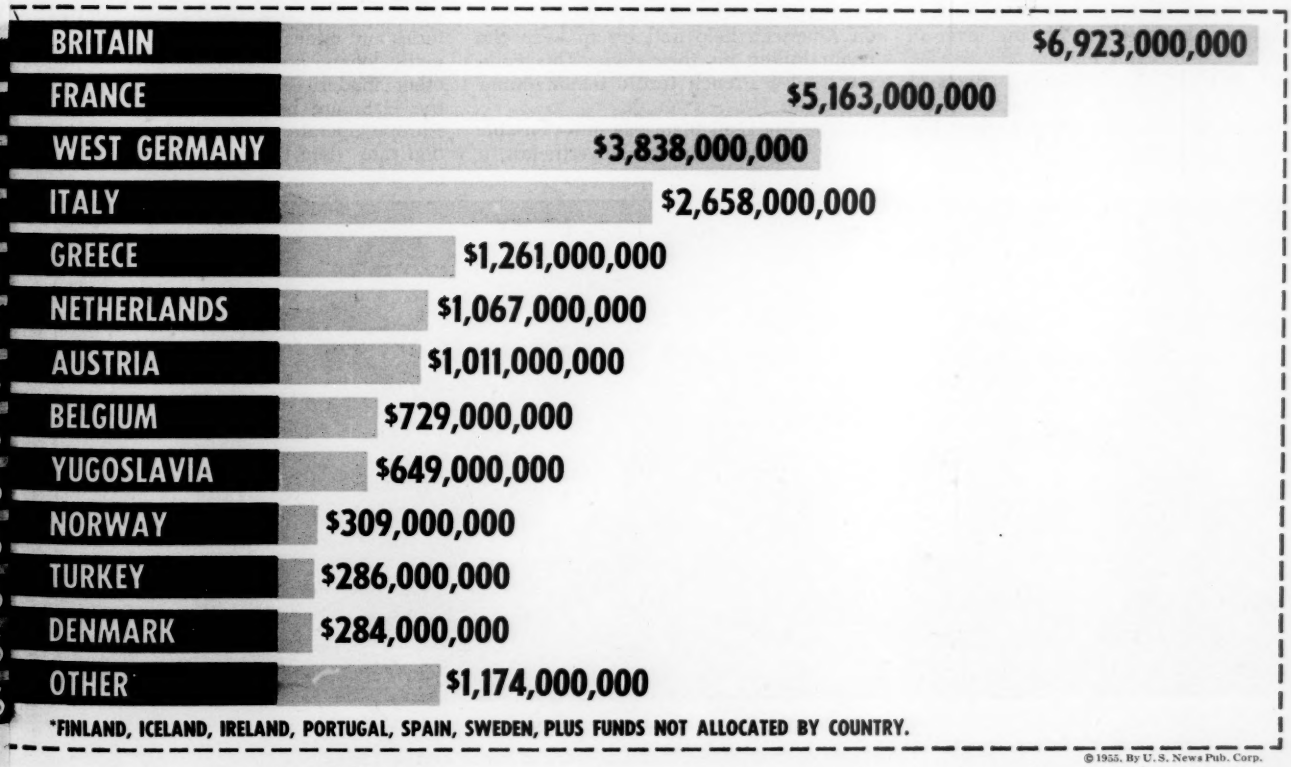
Agriculture, as well as industry, is still profiting from the help that went into Europe after the war. Take, for example, these remarks made to *U. S. News & World Report* by Hans August Luecker, Director of the Bavarian Farmers Association:

"Great improvements have been brought about due to U. S. aid—the organized fight against TB among our cattle, the introduction of new farm machinery, accomplishments in drainage and irrigation, new techniques in our farming.

"The dollars given are still turning around, some of them at least. Twenty-two million dollars' worth of counterpart funds are working as credits at reduced interest rates on German farms, and we hope they will operate as revolving credits for the next 25 years."

Dissent. There is some faultfinding with the way the aid program has been operated.

"Frankly," said Angelo Costa, the president of the Confederation of Italian



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Industries, "I think the U. S. could have gotten much more out of its aid program than it did.

"The United States gave its money but wanted to control the spending of each and every dollar. This was a bad system because it took away the responsibility of the governments over here. Instead of trying to keep control over the spending of each dollar, the United States should have accompanied the grant of money with advice on the broad objectives to be accomplished, and then let the money be spent within this framework.

"Look at it this way: A man who borrows a thousand dollars with conditions attached to their use remembers the conditions and forgets the thousand dollars. But give him only 500 dollars and then add a little friendly advice and he will think much better of you."

Guenter Henle, owner of one of the biggest steel and machinery companies in the German Ruhr: "Back in 1948 we did not believe the German economy could ever balance its accounts —then, suddenly it happened, thanks to U. S. aid.

"As to the over-all picture in Europe, however, I fear the funds have not been used fully in the sense originally intended. The leading idea of the Marshall Plan was the economic integration of Western Europe. But part of the funds has been used to strengthen and build up national industries in the various countries, irrespective of the over-all aim."

What about the continuing effects of the dollars, machinery and technical assistance America put into Western Europe?

—FOA

AMERICAN GOODS FOR EUROPE
. . . will be felt for years to come

An Italian industrialist: "If U. S. aid ceases completely right now, I believe we will be better off in 1970 than we would have been by that date if aid had never been given at all. It allowed us to go ahead much, much faster than would otherwise have been possible."

Next—independence? There are signs all over Europe, however, that businessmen—prospering as never before —are ready to cut their dependence on American help and try to keep the boom rolling on their own. This comment by a French textile manufacturer is typical:

"The Marshall Plan was indispensable in reviving our industry. Nevertheless, it is a good thing that U. S. aid is tapering off. God helps those who help themselves. It is time we stood on our own feet."

Standing behind all these observations by businessmen is the ever-present evidence of what the massive injection of U. S. dollars still means to the prosperity of Europe. Some of the industrial plants aided by the U. S. took years to build and only now are they beginning to realize full production.

Apart from this, however, U. S. aid has helped governments to rebuild gold reserves to back their currencies and trade. As a result, new confidence has developed among European investors. A flight of capital abroad has been halted. Europe's rich are bringing their money back now—for investment at home.

Much of America's 25 billion dollars in aid to West Europe no longer is visible. It was consumed in providing food to keep people alive. More than 2 billion dollars went for clothing. Also, 2 billion went up in smoke—it provided coal and oil to warm Europe's homes, turn factory wheels and power ships, trains, trucks and cars. An additional 2.5 billion was spent on raw materials to keep industry at work. A billion went for ocean freight to ship U. S. aid supplies across the Atlantic.

Those billions are gone. But other U. S. aid, in the form of machinery, is still at work. It will keep working for many years to come. In thousands of factories and mines the machine tools, automatic looms, power drills, turbines and other modern equipment furnished by the U. S. are helping the industries of Europe operate at the highest production rates they have ever known.

COAL MINERS IN WESTERN GERMANY
U. S. aid, in the form of machinery, is still at work in mines and factories

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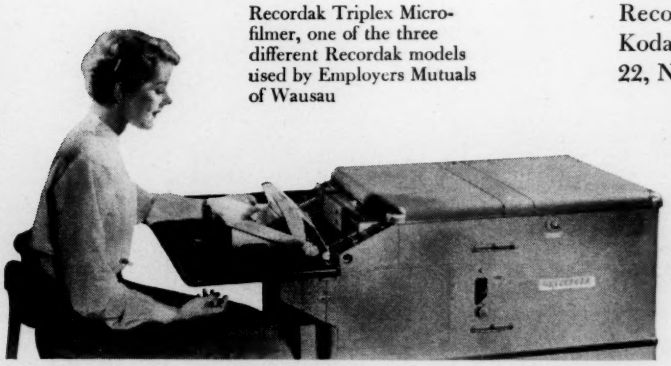

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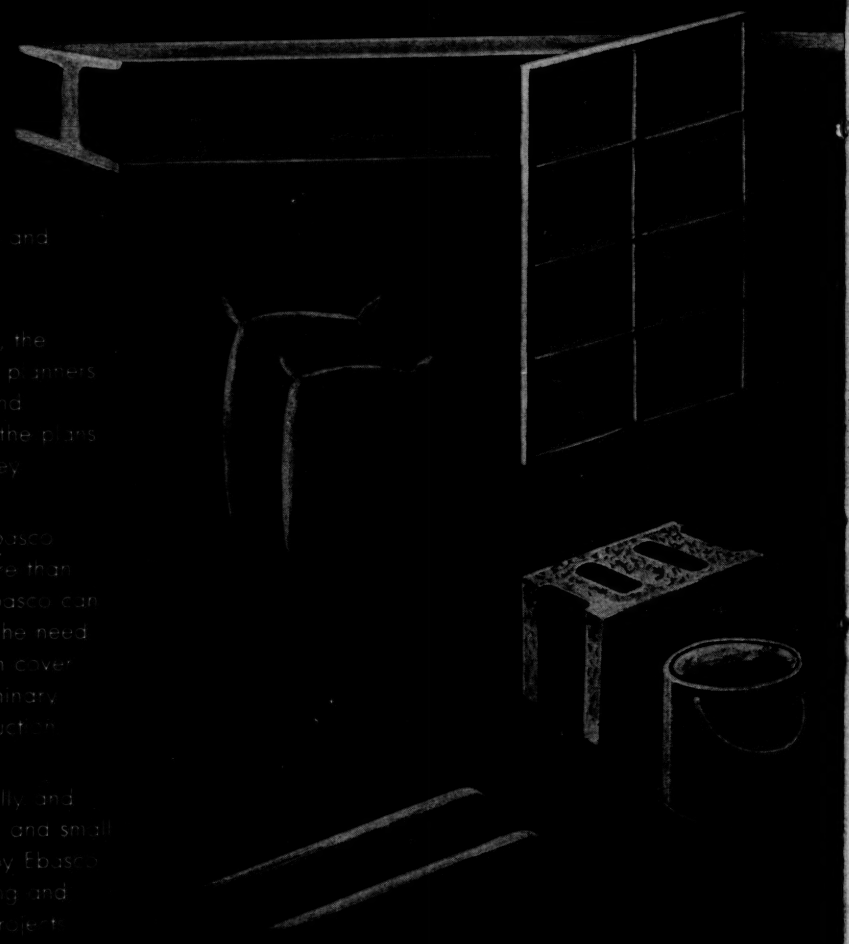

Into a new plant go steel and glass and concrete—machines and metals, manpower and money.

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>> To keep talk of a Chinese cease-fire in perspective.....

Communists, not the U.S., are on the spot as a result of this talk.

Communists' claim to be champions of world peace is being put to the test. If Peiping and Moscow want peace, really desire an end to the fighting off the coast of China, they can get it by calling off their planes and troops.

U.S., this time, has taken the play away from the Communists, put them in the position of having to live up to their own peace propaganda.

>> Sentiment for a cease-fire has built up rapidly, impressively.

Top U.S. officials put the idea on the front pages by their statements.

Allies of U.S. immediately applauded. Britain has a special interest, in view of the sinking of a British merchantman in Chinese waters.

Asian neutrals, nervous about a war that might spread, like truce talk.

All that remains, it would appear, is for this accumulated pressure of world opinion to bear down on the belligerents, especially the Communist attackers.

>> Odds, though, are that Communists will keep the war going. This is why:

Islands close to mainland are now within relatively easy reach. The U.S. has said it will not intervene. This is all Peiping needs to know.

A cease-fire, if put up to United Nations Security Council, would run into a Soviet veto, if no other. Moscow has to support Peiping's claim that the islands belong to Peiping, that U.N. can't butt into an "internal" dispute.

Outlook for a Chinese cease-fire is thus poor. The Chinese Communists will figure they have more to gain by keeping the war going.

>> Real worry for U.N. and U.S. allies is what happens when Chinese Communists take a few more islands and get to feeling they can walk off with Formosa.

U.S. would get into the war, in this case.

It's in hopes of avoiding this crisis that the British and other U.N. members talk up schemes for neutralizing Formosa, putting it under U.N. trusteeship. Prospect is, however, that Communists would torpedo this scheme, too. Peiping wants Formosa for itself, and isn't ready to compromise yet.

>> In Central America, regional peace machinery is getting a workout.

Neutrality zone is being staked out, six miles deep, along the Costa Rica-Nicaragua border. Belligerents are advised to keep out. To make sure they do, patrol planes of the Organization of American States will be on the job.

Fighting will die out, it's assumed, when attacking forces can no longer get more manpower or supplies across the border into Costa Rica.

(over)

End of fighting may not restore complete harmony between President Somoza of Nicaragua and President Figueres of Costa Rica, but it will demonstrate the efficiency of the regional setup for peace. It will also permit Mr. Figueres to concentrate on an expanded domestic program, now that Costa Rica's contract with United Fruit Company assures the Government of increased revenues.

>> In Paris, Premier Mendès-France's arms-pool plan for West Europe is winning very little enthusiasm from France's allies.

Idea behind the arms pool is to slap a limit on West German rearming. With such a limit, French Parliament might ratify the Paris pacts more readily.

Pool itself, as Mendès-France sees it, calls for a new European agency, one with wide powers over member nations. This agency would have power to allocate arms production among West Europeans, fix ceilings, supervise arms distribution. West German rearming could thus be kept under tight control.

But as France's allies try to imagine this pool in operation.....

Britain balks at letting others intervene in its arms production.

Netherlands fears its freedom to import needed arms might be curtailed.

Italy wonders if its arms producers would get a fair share of business.

West Germany, suspecting pool is aimed at it, protests discrimination.

U.S. will fight any plan that restricts its control over arms aid to Allies.

In view of all these objections, there's little chance the arms pool will get beyond the discussion stage. It will be kept alive as an idea until German rearming is approved. After that, the pool idea may fade rather quickly.

>> There's somewhat more official optimism about the future of Southeast Asia now than a few weeks ago. To explain this optimism.....

In South Vietnam, the U.S.-backed Premier has at last begun to organize a Government out of chaos, and is beginning to develop a mass following.

In Cambodia, the outlook is that anti-Communists will win at the polls.

In Laos, a new Premier is at least trying to dislodge local Communists.

These developments do not add up to any radical change for the better in Indo-China, but they raise hope of potential opposition to the Communists.

>> Indonesian officials are quite confident they can keep their country out of Communist hands, and puzzled that Westerners are pessimistic about it.

As Jakarta officials explain Indonesia's situation.....

Communists are a small minority in Parliament and in the population.

Elections, probably in June, will keep non-Communists safely in control.

Army is not falling under Communist control, despite Western fears.

Armed revolts, while a problem, are less of a problem than they were.

Communist influence in Cabinet, widely suspected in West, is denied.

The trouble with Western observers, Indonesian officials will tell you, is that they confuse Indonesian nationalism and anticolonialism with Communism. Indonesia's nationalism is aimed as much at Chinese, who own a big share of the island's wealth, as at the Dutch, who once governed the islands. Some day, it's hoped, Indonesians themselves will own more of their country's riches.

Anti-Western? Not so, the Indonesians say, pointing to big American oil firms in the islands, to the popularity of Western ideas, to yearly imports of 2,000 or more Hollywood films compared with 8 or 10 from Moscow.

Indonesians say they trounced Communists once, are sure they can again.

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Ike Likes the Arts, So— U.S. May Export Culture

The arts, all of a sudden, are getting official attention.

White House is concerned, thinks U. S. needs to show the world its finer side, as Russia does. Many in Congress agree.

Idea is to promote music, painting, sculpture, dramatics, the dance, other artistic pursuits.

For now, the President asks only a study. Out of that could come a system of subsidies.

President Eisenhower is trying to get Congress interested in the arts.

This is a field, he thinks, where Russia is getting ahead of the United States, and he wants to do something about it.

As a start, he proposes that Congress set up a Federal Advisory Commission on the Fine Arts. Its chief job will be to size up the art situation and recommend a program.

The President has not yet laid down a plan for subsidies or other heavy spending. That might develop later.

Reports from U. S. officials overseas have stirred the President, as well as many Congressmen. The Russians are sending singers, dancers, musicians, actors and art exhibitions to places all over Europe and Latin America. The Soviet Government foots the bill.

The Russian artists are reported to be making a deep impression. And American prestige, the reports add, suffers in proportion. The Russians picture Americans as gum-chewing barbarians. They spread the idea that the United States might excel in science and industry, but it has no art worth showing.

Problem for Eisenhower. The truth is that the United States does very little to show foreign countries its artistic work. The President has been pondering this, close associates recall, since he was president of Columbia University. He is a painter himself, and that other noted amateur, Sir Winston Churchill, has talked to him about it as well.

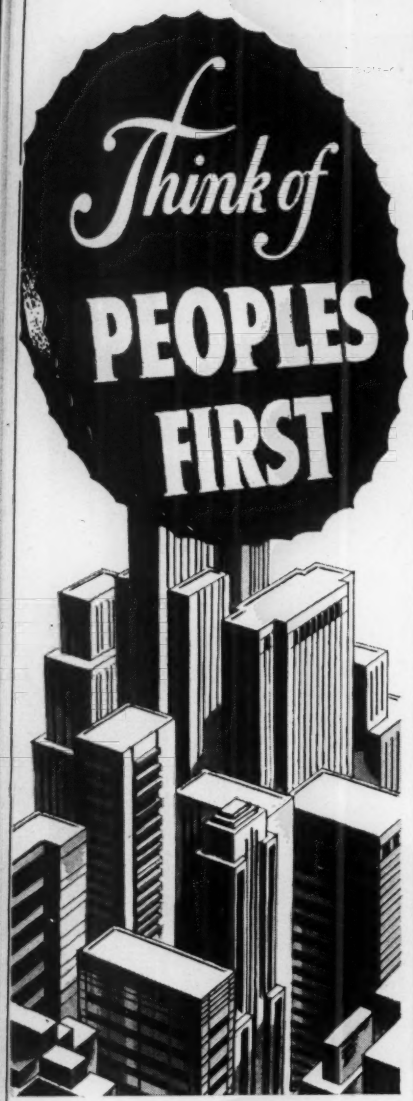
Nelson Rockefeller, a new special assistant at the White House, is credited with getting the President actually to launch an art program. Mr. Eisenhower is reported also to have been impressed recently by an eloquent radio talk on the subject by the actress Lillian Gish.

The President made a small start on an overseas art project last summer. At that time, he got Congress to appropriate about 2.5 million dollars to be spent by the U. S. Information Agency on cultural programs. With that fund, USIA subsidized some of the overseas performances

(Continued on page 70)

–USIS

"PORGY AND BESS" FILLED THEATERS ABROAD
. . . with some expenses paid by Government



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of "Porgy and Bess," which has been a smash hit in places that hardly ever saw an American production before.

U. S. as art patron. "Porgy and Bess" played to full houses everywhere, but lost money in such countries as Yugoslavia, where the average admission price was 35 cents. USIA is underwriting the show's appearances in such places as Israel, Egypt, Greece, Spain and North Africa.

José Limon and his modern American dance group made a tour of Latin America, with expenses underwritten by USIA. Icelanders heard Isaac Stern, American violinist, with similar help from the USIA funds.

American paintings are seldom seen outside the U. S. Only eight or 10 exhibitions have been sent abroad by USIA since 1953. Between 1947 and 1953, no traveling shows went over. That was because some Congressmen in 1947 denounced exhibitions then on tour. Too much abstract art, they said, and too many "reds" and "pinks" among the artists whose works were displayed.

What's wanted for the arts. The President is seeking to install a topflight commission of leaders in the art world, which will help him make a start on a more ambitious Government art program. The only task he has announced for it, specifically, is arranging for Government awards of merit. In his state-of-the-union message he proposed that awards go to Americans "who make great contributions to the advancement of our civilization." Apparently, scientists, engineers and others will be honored, along with artists.

Here are some ideas a commission will be expected to consider:

Subsidies for art schools, orchestras, operas, theaters, art galleries—all such subsidies to be administered by the States.

Scholarships for artists, writers and liberal-arts students.

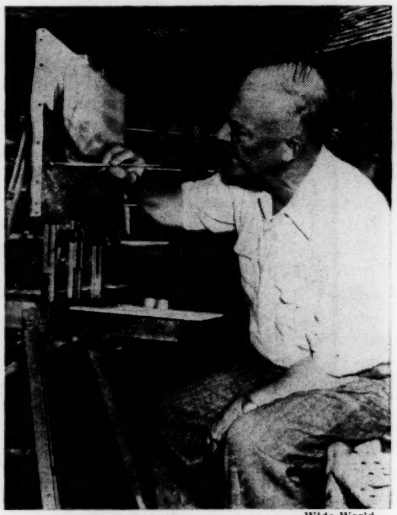
An art center in Washington, to be a show place for the nation and visible evidence to foreign visitors of America's interest in the arts. It would comprise an opera house or theater, a presidential inaugural auditorium, an art gallery and studios for the study and teaching of art.

Projects of this type are being discussed widely in art circles. Bills to put them into effect have been introduced in Congress. If Congress does not approve the President's proposal for a commission, it still can grab the ball from Mr. Eisenhower and start some of these projects on its own.

Art lovers for a century and a half have tried without success to have a high-level fine-arts agency created in the Government. Bills to create some kind of fine-arts unit within the Government have been introduced in nearly every session of Congress since 1877. The existing Commission of Fine Arts merely advises the Government on the acquisition of art works for federal parks and buildings.

Fine-arts price tag. No big spending has yet been suggested. The subsidy proposal before Congress would involve about 5 million dollars—called "leverage money," to start private funds flowing. A scholarship program, however—now being drawn up within the U. S. Office of Education—could cost from 20 to 25 million dollars a year.

No public works-of-art project, such as the New Deal ran in the 1930s, is talked of. Artists themselves oppose any such venture at this time. Some art organizations oppose even subsidies, fearing Government domination.



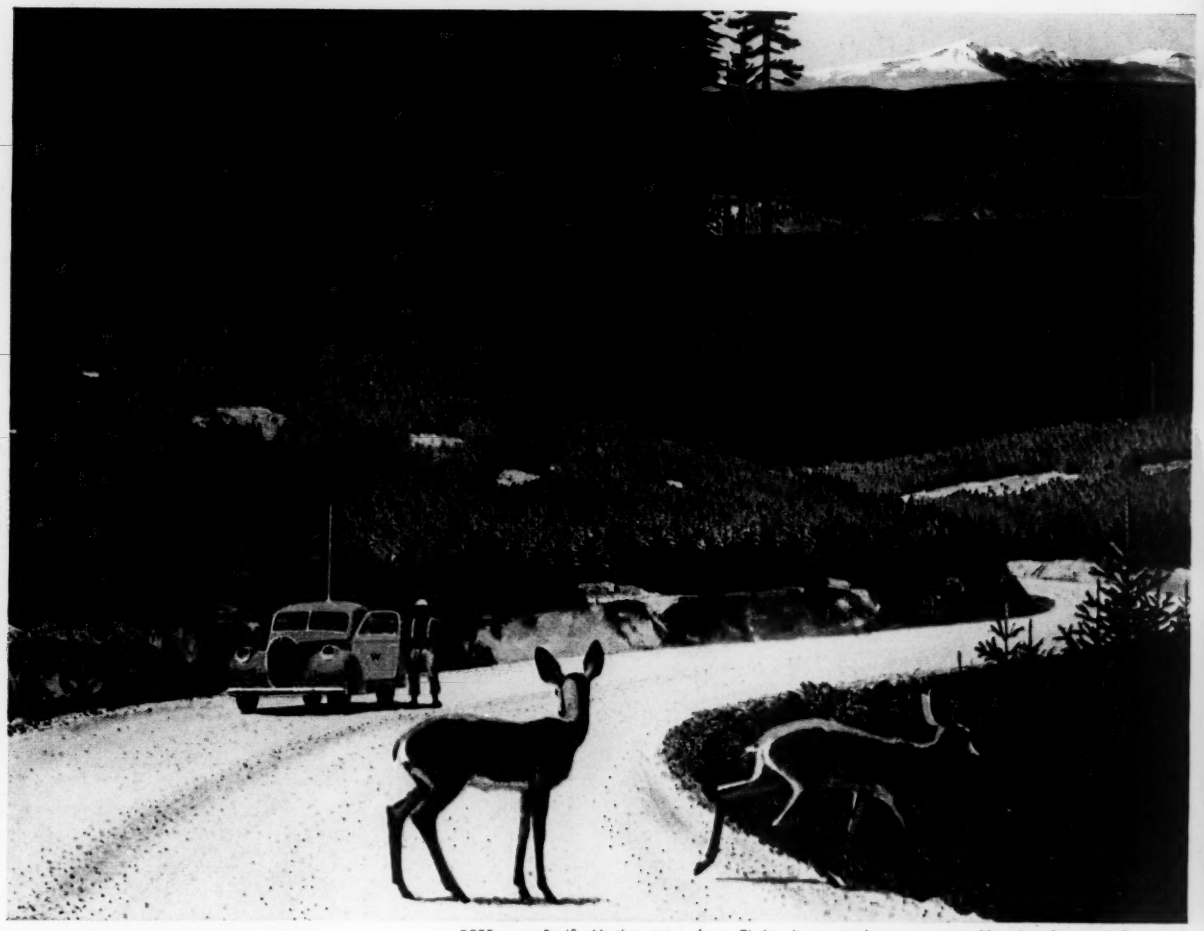
—Wide World

PRESIDENT EISENHOWER
. . . was interested in a program

Art activities in the U. S. receive almost no federal aid and little help from cities or States. Artists in most foreign countries depend heavily on subsidies.

Berlin spends 1 million dollars a year, and Milan, Italy, spends 3 million, mostly on opera. The Italian Government spends 3 million. Great Britain spends 1.4 million dollars a year. Denmark spends $800,000 for the Royal Theater in Copenhagen, with its dramatic school. France, Germany, the Netherlands and many Latin-American countries provide sizable subsidies.

Subsidies, nevertheless, are to be only one of the problems of the new commission, if it is created. Its primary job will be to tell the President what can be done to capture the imagination of the people of the older, art-loving nations of the world.



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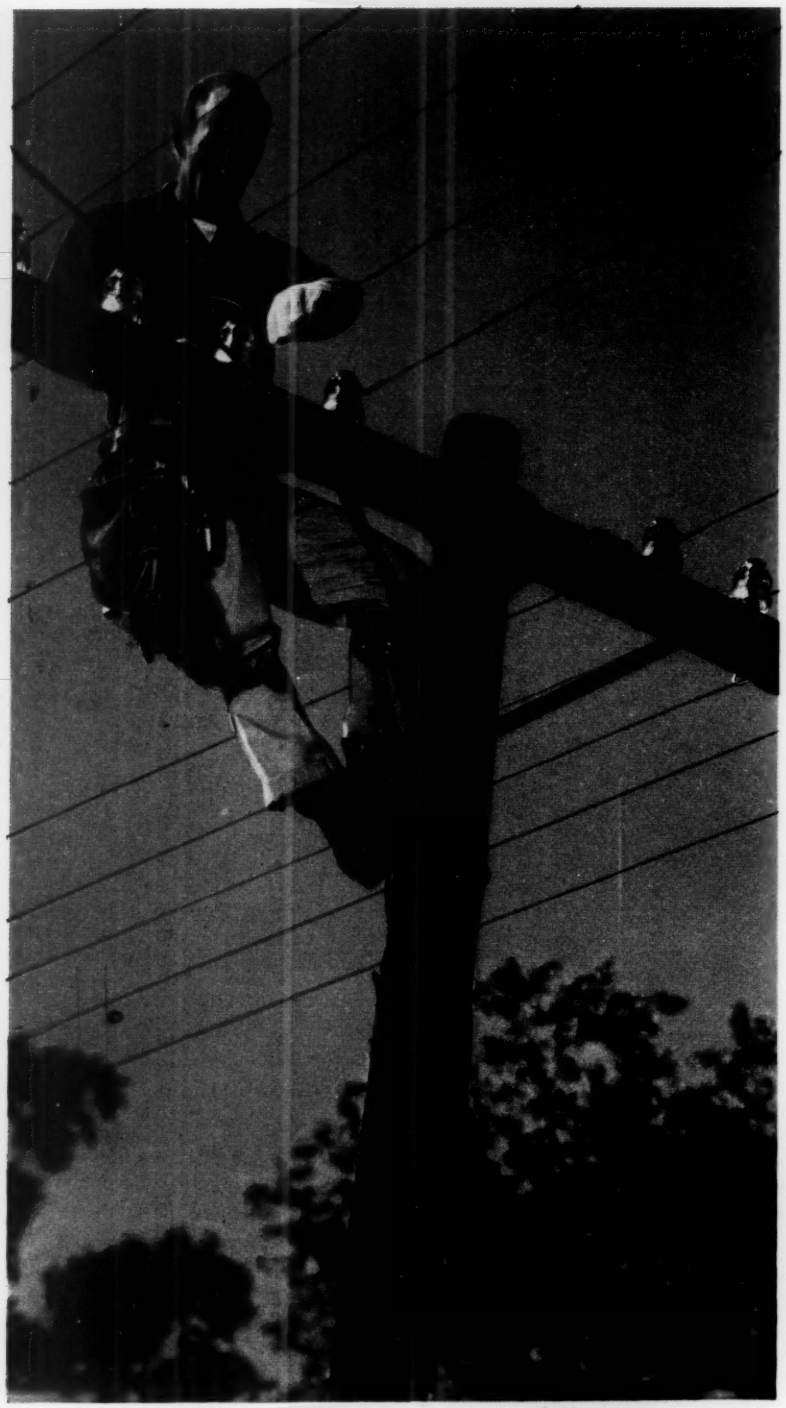

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THE MAN... Nixon **THE NEWS... Big Job Ahead**

Democrats' No. 1 Target Is Ike's No. 1 Politician

With a Democratic Congress, the Vice President is busier than ever. He has a new high-level assignment—shaping Republican strategy for the campaign to come.

–USN&WR Photo

THE MAN AT THE HELM of the Republican Party, busily shaping policy and strategy for the 1956 presidential contest, now turns out to be Vice President Richard M. Nixon. President Eisenhower wants it that way. In effect, he has made Mr. Nixon deputy leader of the party, virtually in charge of operations.

This hitherto unnoticed development has meanings for the future. If Mr. Eisenhower runs again in 1956, as many expect him to do, Mr. Nixon, now 42, in the course of things would be second man on the ticket, with high hopes for 1960. If the President withdraws in 1956, however, Mr. Nixon might go to the National Convention with a powerful claim on the presidential nomination.

These prospects have developed since the 1954 election. They result from a new, closer bond between President and Vice President. From the start, Mr. Eisenhower entrusted many matters of importance to Mr. Nixon, consulted him frequently on arising issues, especially as they affected the Administration's legislative program. The President found the Vice President useful, and loyal, in all these things.

Political mentor. Then, last autumn, the President found in Mr. Nixon what he came to regard as a valuable political asset: The Vice President threw all his famed oratorical fire into the campaign. He traveled through and spoke in dozens of States on behalf of Republican congressional candidates.

Beyond that, he looked around, assessed Republican election prospects wherever he was. His reports went back to party headquarters. They were given to the President orally, on their infrequent meetings. Mr. Nixon minced no words about what he was finding. Party officials paid little attention at first, but were growingly shocked at the pessimism of his forecasts.

Toward the end of the campaign, Mr. Nixon's findings and the pressures of other party leaders led Mr. Eisenhower into a more active campaign participation than he had planned. And, when the votes had been counted, the President was impressed by the realism of Mr. Nixon's advice and warnings.

Increasingly, Mr. Eisenhower began turning to his Vice President for political information, counsel, guidance. From Mr. Nixon the President received carefully considered answers to his inquiries. Gradually, White House insiders say, Mr. Nixon has become the President's political mentor.

Mr. Eisenhower never had cared much for politics. But Mr. Nixon began to show him that field in terms of broad maneuvers, of high strategy, of something more than the business of handing out a job here, yielding to a pressure there. Seeing politics in these terms of a military campaign, the President found that he liked them better. Friends began to see in him a new easiness, a new assurance when dealing with political matters.

As a military man, too, Mr. Eisenhower is accustomed to delegating problems to a well-organized and carefully chosen staff. But he had found no chief of staff for politics. Gradually he has delegated most of his political duties to the Vice President, made the latter his political chief of staff, charged with supervising most party political activities, setting the course of the party toward the big battles that lie in the future.

The assignment. Thus, it becomes Mr. Nixon's task to pull the party's factions together behind the Administration's legislative program in Congress, and to prepare, nationally, for a united approach to the 1956 campaign.

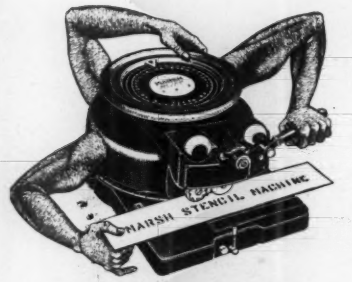
This may not prove too easy in Congress. Mr. Nixon has endeavored to keep on good terms with members of the faction that is considered "conservative" and the group that is called "liberal" as well. Last autumn, for example, he campaigned as vigorously for the "liberal" Senator Clifford P. Case, of New Jersey, as for the "conservative" Guy Cordon, of Oregon.

But there remain Senate Republicans who are critical of Mr. Nixon. "Conservatives" who oppose various Eisenhower projects transfer their criticism also to Vice Presi-

(Continued on page 76)

–USN&WR Photo

THE PRESIDENT WITH MR. NIXON
. . . a new and closer bond



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. . . Mr. Nixon's campaigning built contacts in party

dent, so closely identified with the Administration. "Liberals," too, among the Republicans, find fault with some of Mr. Nixon's past attitudes. Therefore, in the closely divided Senate, the Vice President must count on some Democratic votes to get Administration proposals enacted.

Nationally, Mr. Nixon is considered well equipped for his tasks. Traveling from coast to coast last autumn, he acquainted himself with party situations and made friends with local committeemen wherever he went. Local leaders in numerous cases are indebted to the Vice President for his activities on behalf of their tickets.

Through correspondence, telephone calls and occasional trips, Mr. Nixon is expected to keep these contacts fresh. It is a two-way street, however, and involves getting help in Washington for leaders out in the States when local problems arise. This process also could result in increased personal political prestige for the Vice President that might prove useful later.

The attack. Although Mr. Eisenhower approves Mr. Nixon's campaign efforts of last autumn, there are others who decidedly do not. These, in particular, are Democratic leaders of long standing. These men contend that Mr. Nixon, in his discussion of the Communist issue, sought to impugn the patriotism and loyalty of previous Democratic Administrations and their high officials. Mr. Nixon replies that he was charging only a softness toward Communists in Government, and criticizing only the judgment of these officials, not their loyalty.

But the Democrats were not to be soothed. Their attacks on Mr. Nixon reached a point at which President Eisenhower became aroused. The President is intensely loyal to his aides. In casual conversations with guests at his famous stag dinners, he began expressing his resentment, asserting that he intended to scotch such talk.

So it was not an impulsive outburst when, two weeks later, Mr. Eisenhower had his say regarding Mr. Nixon in response to a press-conference question. He came stoutly to Mr. Nixon's defense. The Vice President, he said, had questioned judgment and never loyalty. He concluded with an assertion of his admiration for Mr. Nixon.

Some of the Democrats now would like to soft-pedal the attack on Mr. Nixon. But there remains a highly placed group that still is smoldering, ready to renew the assault at the first opportunity.

Clogged: a calendar. Meanwhile, Mr. Nixon is one of the busiest men in Washington. He is besieged, swamped by callers, his calendar filled days in advance. Word of his close personal association with the President has spread. Many are convinced that a word from Mr. Nixon will produce a job or some other favor.

The Vice President turns down dozens of speaking and social invitations. There always are enough of these of an official or duty nature to keep his schedule filled. Mr. Nixon is said to be looking forward to his coming good-will tour of the Caribbean area, partly as an opportunity to get away from these ceaseless activities.

—USN&WR Photo

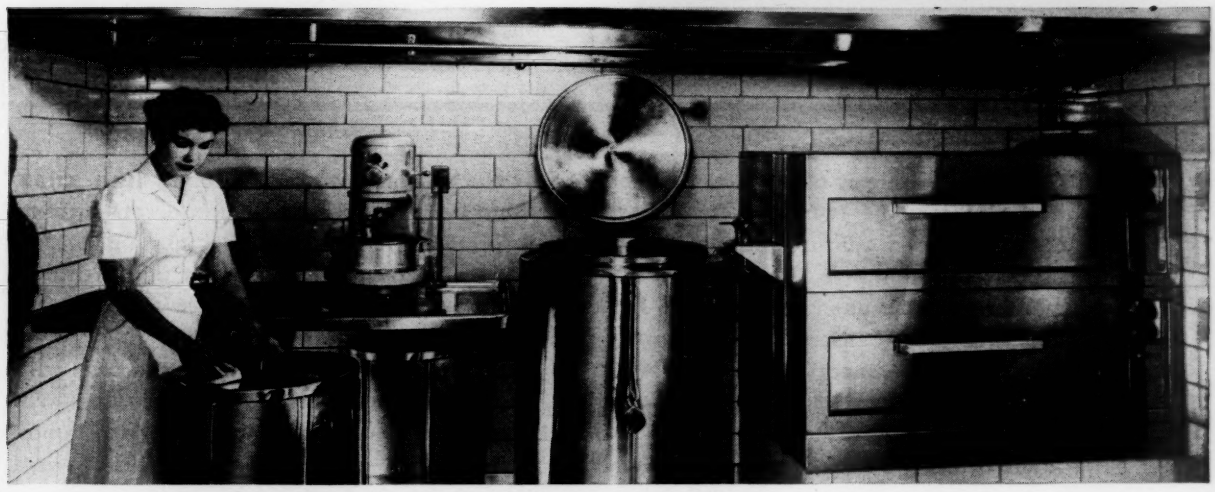
MR. NIXON MANS THE PUMP
. . . to aid the polio drive

In addition to these things, he attends meetings of the Cabinet and the National Security Council, is often at the White House on other missions. Mr. Eisenhower keeps his Vice President thoroughly informed on all developments, gives him a say in making decisions.

And yet, despite all these demands on his time, Mr. Nixon, like a good politician, finds time for such stunts as having his picture taken while selling gasoline at a filling station—the proceeds to go to the March of Dimes.

The old musical-comedy idea of a Vice President as a thumb-twiddling "Mr. Throttlebottom," wistfully looking for something to do, no longer holds. In these days of big government and "cold war," Mr. Nixon has introduced a new conception of his job and become a figure to be reckoned with in the political future.

Where easy cleaning counts



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NO NEED TO BOMB CITIES TO WIN WAR

A New Counter-Force Strategy for Air Warfare

EDITOR'S NOTE: Here is a new strategy for the United States in the H-bomb era, drawn up by an experienced military planner.

"Massive retaliation," in this strategy, no longer would threaten enemy cities. Both big bombers and aircraft carriers become largely outmoded. Total-war theories become "100 per cent foolish" in the nuclear age. But war is expected to last only a few weeks.

The ideas contained in this plan are known to have been the subject of serious discussions recently among high military officers.

Author of the plan—Richard S. Leghorn, Colonel, USAFR—was on active duty in the Office of Development Planning in the United States Air Force until 1953.

Colonel Leghorn served in World War II as an air-group commander and photo-reconnaissance pilot throughout the European campaign. Later he participated in the Bikini atomic tests and was responsible for the gathering of important data from aircraft encircling the scene. He is a graduate in physics of Massachusetts Institute of Technology, and is now one of the executives of the Eastman Kodak Company.

Tactical use of nuclear weapons against solely military targets is the basis of his plan. Enemy industry would not be threatened. Neither would enemy population centers, unless U. S. cities were hit first.

"Nuclear punishment" to fit the crime would be inflicted on any aggressor—against his armies in the case of a ground attack, against air bases in the event of air attack against his borders in case he tries to support an aggression against a neighbor.

For civil defense within U. S., the plan calls for shutting down all major cities when war begins, moving populations out and small caretaker forces in, for the few weeks of war's "decisive phase."

For waging war, this strategy envisages using only forces and stockpiles that are in "fighting position" at war's outset. Industrial build-up during war becomes less important, with time for the decision measured in days or weeks.

"Small wars" are covered by the plan, too. Tactical attack with nuclear weapons would compel the aggressor either to quit or lose his aggressive forces. In this way, the author insists, both Korea and Indo-China could have been won by the West and Formosa could be held now.

Basic revision of the armed services' organization is called for, finally, with five types of military command replacing old Army, Navy and Air Force commands.

Conclusions concerning the plan are the views of Colonel Leghorn, and not necessarily those of this magazine.

Col. Richard S. Leghorn

(United States Air Force Reserve)

tells—

HOW NUCLEAR WAR MAY BE FOUGHT

This article is released in its entirety for morning newspapers of Tuesday, January 25, 1955, and for use on radio and television on that date, provided notation is included that it is copyrighted by United States News Publishing Corporation. The copyright is assigned to the author, Richard S. Leghorn, after February 18, 1955.

by Col. Richard S. Leghorn

The thesis of this article is that the President of the United States should consider announcement of the following policy:

"If any of our allies or the United States itself is attacked by an aggressor with conventional armies, the United States will punish the aggressor by using tactical nuclear weapons to destroy his attacking units in the battle zone and the military installations in his immediate rear areas.

"If any such aggression is supported by conventionally armed aircraft, the United States will punish the aggressor by hot pursuit in the air and nuclear attack on his air bases.

"If the United States or any of its allies are attacked with nuclear weapons, the United States will use nuclear weapons to destroy instantly and utterly the nuclear stockpiles of the aggressor and the nuclear delivery capability of the enemy.

"The United States unilaterally renounces H-bomb and A-bomb attack on hostile cities, unless the cities of the Free World are first attacked with weapons of mass effect."

First: GROPING FOR A MILITARY POLICY

SOVIET AND CHINESE IMPERIALISM and the fundamental clash between Communist doctrine and Western political philosophy today present the United States and the Free World with the gravest challenge we have ever faced. The years since World War II have witnessed the West coming to grips with this challenge. A decade of cold war has been a frightening experience as we have struggled to meet first one onslaught and then another with improvised policies.

Since the Soviet threat was publicly recognized in 1946, we have examined and rejected as national policies the extremes of **peace-at-any-price,** and **preventive war.** We toyed with the idea of **"Fortress America."** We found **containment** too negative and **liberation** premature. We are now pledged uncomfortably to **peaceful co-existence.**

Although remnants still appear, we early discarded the peace-at-any-price thinking of appeasement and unilateral disarmament. Horse sense and experience have taught us that the only way to deal with an aggressor is by marshalling strength and displaying a will to use it. Preventive war, the other extreme, continues to be advocated in one form or another, particularly by the militaristic—though not by our military leaders. The Fortress America concept was quickly labeled as Maginot Line mentality and was short-lived; it is a vestige of isolationism, whose spirit lives on among national-

ists and go-it-aloners who would like to believe we can substitute a defensively fortified America for the earlier, natural isolation of our ocean-bound continent.

Containment was the initial response to Soviet expansion. But containment was a reaction, it was negative and therefore frustrating as a long-term policy. It left the initiative with our opponent. It led us to abandon captive peoples behind the Iron Curtain and embrace the status quo on our side, regardless of how incompatible it may have been with our concepts of democracy and just rule.

In early 1953 we had a premature burst of enthusiasm to do more than take a negative approach, but we found that liberation called for too much initiative, too soon. Bold action, even by non-military means, was feared by our allies to invite Soviet atomic blows. This fear was unrealistic since destruction of the U. S. and exploitation of an undamaged and enslaved Europe constitute the logical Soviet objective. Nonetheless, it was a political fact.

Next we flirted with peaceful co-existence. This is a strange concept for America, not only because it was Lenin's label to denote a period of Communist consolidation before the next advance. In the first place, it implies that war can be avoided. As recently pointed out by Sir John Slessor, war with the Soviets cannot be avoided, only prevented—which is quite a different thing. Peace is not achieved in a community of nations just because everybody believes it desirable. War must be prevented, peace sought actively.

Peaceful co-existence implies there is no need to act to enforce the peace—that the community of nations is somehow different from other communities of human beings. Second, this concept implies that we can relax and forget the declared Soviet ambition to dominate the world, for which they continue to arm and agitate while endeavoring to conceal their aim with the big lie of "co-existence" propaganda—sheep's clothing for the Soviet bear. Third, peaceful co-existence pretends that evil is not there, and obliges callous neglect of those whom misfortune has imprisoned under the yoke of Soviet tyranny. Peaceful co-existence is a false step in attempts to find a satisfactory course between containment and liberation.

The policy I propose we consider is the **pursuit of enforced competitive peace.** Two operative ideas are embodied in this concept. The pursuit of enforced competitive peace implies a coordination of force and positive political competition. Deterrent force can prevent aggression, anywhere on the globe. Thus protected, we can wage political competition against Communism.

The enforcement of peace is a long-acknowledged task of human society. The problem is no different between nations than between individuals. Public peace has always been maintained by the exercise of punishment. Peace is best maintained when punishment fits the crime and when punishment is well-known beforehand to any who might contemplate violating it.

Until international authority is empowered to inflict adequate punishment to enforce world peace, nations must band together to meet the problem through systems of collective security. With its nuclear plenty and dynamic economy, the United States is the strongest member of the Free World. We have begun to accept our broad responsibilities and recognize that we must lead the Free World in the enforcement of peace, until the day when a freshly constituted United Nations has authority commensurate with that responsibility.

The competitive spirit is psychologically appealing to Americans and is compatible with our instinctive pragmatism; we would relish competition with the Soviets as a test of which system can provide the best economic, social and moral climate. Out of enlightened self-interest, emphasis on the competitive aspect would impel us to resume our support of reform movements in Africa and non-Communist Asia, and to identify ourselves with the interests and aspirations of peoples instead of regimes, as heretofore necessitated by emphasis on containment at any political price.

The pursuit of enforced competitive peace enables us to take the initiative. It is a policy of containment only in military respects; it is affirmative in a political sense. We can identify vulnerable spots behind the Curtain, and in some cases, bring non-military pressures to bear. In promising, tangible terms, we can extend to all oppressed and captive peoples a warm welcome to join the Free World.

Long-term competition under conditions of enforced peace can bring changes behind the Iron Curtain. Conceived by Marx, Communist doctrine has undergone major revision, first under Lenin and later under Stalin. The Malenkov influence is now at hand, and there is no reason not to expect further adaptation. Forever faced with our deterrent force and competitive strength, Soviet policy can be compelled to reject its premise that capitalism must collapse, and its objective of world domination.

To achieve these aims, the United States must rely first on its own power. Insofar as possible we desire to supplement this power with the collective strength of like-minded allies. It may be our desire eventually to transfer to international authority the responsibility for and control of the means of enforcing peace.

But consider first what we face in efforts to enforce peace. What does conflict in the nuclear age mean and how well prepared are we to prevent it?

Second: ANOTHER LOOK AT DEFENSE

I. The Facts of Nuclear Life

AMERICANS ARE WORRIED AND UNEASY. One swift decade has seen war's destruction measured successively in tons, kilotons, and megatons. In nuclear war, names on casualty lists will be replaced by estimates in megadeaths. The measure of human anguish in war has been multiplied one million times.

As we learn more and more about the H-Bomb, new aircraft and guided missiles, and Soviet successes in military technology, we realize our security is shrinking. The cost of adequate defense mounts as the armament race intensifies. Short of surrender and without recourse to preventive war, is there no end to this trend toward less security at higher cost?

In the face of our difficulties, it is useful to examine four salient features of the current military situation.

1. The Soviets have nuclear sufficiency.

They have a quantity sufficient, in case they choose to use their weapons in this manner during World War III, to destroy so many of the population, cultural and productive centers of the West that we would lose, whether we won the war or not. The Soviets, who to date have announced five experimental explosions plus a series of further tests, can reasonably be presumed to have a few hundred bombs today —they will have more tomorrow, hydrogen and atomic. One hundred assorted modern bombs on target can knock out one-half of U. S. industrial capacity and tens of millions of Americans. The 100 largest cities of the NATO powers in Western

Europe contain one quarter of its population and a greater fraction of its industrial capacity. Two hundred bombs on city targets would destroy the Western world.

2. The U. S. enjoys nuclear plenty.

We have enough to satisfy not only all military needs, but also enough to begin a major program to develop atomic resources for peaceful use. It was publicly reported some time ago that the number of bombs in the stockpile would not be many years in reaching five figures. Since then new techniques have been announced which enable us to make more bombs with the same amount of nuclear materials. In a war, we are very likely to find ourselves more limited by the number of aircraft than by the number of modern explosives. They vary in size from artillery shells and kiloton A-bombs for fighter bombers to the reported 20 megaton blast of our present H-bombs. These weapons can destroy any surface target —an air base, a capital city, fleets of ships, troops in the field, and some targets buried underground. There is almost no limit to the type or number of targets we could destroy with our stockpile.

3. Nuclear weapons systems are cheap.

It is much cheaper to accomplish a given amount of destruction with nuclear weapons than by conventional means of war. It has been estimated that the cost of killing urban populations with nuclear weapons is incredibly cheap, just a few dollars a death. It is also very cheap to destroy factories or military targets with nuclear power.

Dividing the total annual budgets of the AEC by the presumed number of bombs produced, we find a cost per bomb of the order of a million dollars. While these explosives are expensive themselves, very little of the cost of a military weapons system is in the shell or bomb—all but a very small fraction of the cost is in the military unit that will deliver the explosives, and in its supporting supply system. We can recall that it took 330 billion dollars in four years of World War II to deliver the 2 megatons of high-explosives expended by the United States—or roughly 15 billion dollars to deliver 100 kilotons, the blast on one small-size modern weapon. Today 15 billion dollars annually will maintain a large, modern Air Force, which can deliver many thousands of larger nuclear blasts in a few days. Thus, even considering the effect of conventional bomb dispersion, we can say that to accomplish a given amount of destruction, nuclear fire-power is many times cheaper than conventional fire-power.

4. There is neither in being nor in view any satisfactory defense against nuclear air attack.

If the Soviets chose to use nuclear weapons against Western European cities, they would have an easy time of it. Recent appearance of their equivalent of the B-52 bomber, and prospects for air refueling their growing fleet of medium jet bombers, are ominous indications of what they might be able to do to important U. S. targets today and will certainly be able to do tomorrow. Strategic planning must recognize that the Soviets are no longer range-limited. Former Air Secretary Finletter estimates they will be able to deliver a mortal blow next year.

The late General Vandenberg announced two years ago that at best the Air Force could shoot down about 30 per cent of attacking aircraft. Even if the billions since poured into air defense have realized the hopes of scientific and military planners and doubled the batting average, one in three enemy nuclear bombers getting through to target is a suicidal prospect. This amount of air defense for our cities and military bases is mandatory for partial protection and as a supplementary deterrent, making attack difficult and expensive for the Soviets. But we cannot expect air defense to save America in the face of determined Soviet blows. At best, our improved radar-fighter screen only doubles the price of success to the Soviets.

Even more ominous is the IBM, the intercontinental ballistic missile, which returns to earth from the outer atmosphere with a velocity approaching that of a meteor, about 20 times the speed of sound, and against which a defense has scarcely been dreamed of. Ten years ago, the Germans were firing against London V-2 ballistic missiles with a range of a few hundred miles. They had thousand-mile missiles on the drawing board. For almost a decade now the Soviets have employed some of the same research facilities in East Germany and also the services of many German scientists and engineers. We can no longer afford to deprecate Soviet skill in military technology, as their development of the MIG-15, the A-bomb, and the H-bomb attest. It would not be illogical to assume that with this scientific head start from East Germany, plus their own historic interest in rockets, the Soviets have given priority to this intercontinental missile in the expectation that if successful, they might essentially skip the long range bomber stage in intercontinental weapons development. We were only four years ahead of the Soviets with the A-bomb and ten months with a thermonuclear explosion. It is very possible that we will lose the IBM race, whose conclusion is only years away.

When the Soviets successfully engineer this near-absolute weapon, our elaborate and costly radar-fighter screen will not be effective against it. Faced with hydrogen-headed missiles of meteoric re-entry speed, our cities will be virtually defenseless.

A further threat, emphasized by Attorney General Brownell and FBI Director Hoover in a nation-wide warning, is agent delivery. Covert attack might add to the seriousness of mass attack from the air.

There is also the menace of nuclear missiles launched from submarines. Against this form of attack, anti-submarine defense, as in the case of air defense, can at best only increase the price of success to the Soviets.

As for dispersion of population and industrial centers, Messrs. Cooper and McKean have recently itemized in *Fortune* the reasons why dispersal is of such questionable value. Against fall-out from a major hydrogen attack, defense is extremely difficult. While we must take all practicable steps including evacuation to save American lives, and must increase the cost of attack to the Soviets, no physical defense can provide adequate protection. More vital to the protection of our people is the ability to destroy Soviet nuclear weapons systems at their source in the USSR.

These are the four salient features of today's defense situation—Soviet nuclear sufficiency, U. S. nuclear plenty, the cheapness of nuclear weapons systems, and the impossibility of achieving acceptable security with any physical shield against nuclear air attack.

II. The Defense Problem

WITH THE FACTS OF NUCLEAR LIFE in mind, it becomes clear that a war of obliteration cannot produce victory in any real sense; both sides would lose formidably. Military action alone cannot bring victory in cold war. Yet without sufficient military strength we would lose in cold war. The only hope of gaining on Communism and Soviet imperialism is through nonmilitary action. You can't kill an idea with a pistol. But how do we get the military security that alone will free us for non-military action?

The defense debate so far has been chiefly concerned with military forces. What military units will give us more security

—Department of Defense

U. S. TACTICAL ATOMIC WEAPON
"We can bring our nuclear plenty to bear"

at less cost? More air wings, more divisions, supercarriers? Should we concentrate on "air-atomic power" or have balanced air, naval and ground forces?

Such discussion has not yet resolved the issue. It never can. Until the security issue is thrashed out on the level of strategy—strategy for acceptable security in the long term conflict with the Soviets—we shall never have the answers. The types of military forces needed can be settled only after the grand strategy issue has been resolved.

We now attempt to straddle two national strategies, neither of which is satisfactory, instead of evolving a clear course of action clearly shaped to the need.

On the one hand, we rely on our capacity for instant Massive Retaliation at times and places of our own choosing. In the absence of any clarifying statements as to just how we intend to use this power of annihilation, it is generally presumed that if D-Day comes—whether through bungling or intent of either side—we would use all our modern weapons to pulverize Russia—its airfields, its industries, its cities, everything. Our failure to define realistically just how we would use this capacity has tagged the strategy of Massive Retaliation with five major objections:

▶ **1.** As Indo-China demonstrated, it is no deterrent to localized Communist military ventures. This is because it is a true threat only in relation to total war. In less serious circumstances, where lesser countermeasures are called for, Massive Retaliation is a bluff readily called to our embarrassment.

▶ **2.** It engenders a climate of fear—fear of world destruction. Massive Retaliation invites massive, nuclear counter-retaliation. During the cold war the Soviets have profited immensely from this fear. They have turned the fear arising from our proclamations to their advantage in "peace offensives," to keep countries of the West divided, weak and neutral, and uncommitted countries uncommitted.

▶ **3.** In case World War III should come, Massive Retaliation implies that to win we would immediately undertake to smash everything in sight. To so invite Soviet counter-retaliation is simply to threaten national suicide if World War III should happen. Still busy with the problems of reconstructing the small fraction of the world economy destroyed in World War II, we hesitate to contemplate reconstruction of the very large percentage which such a World War III would leave in ruins. As World War II demonstrated, to carry out wanton massacre of largely guiltless peoples would solidly unite any survivors in firm opposition to us and drive them into the hands of their regime. The prospect also makes us morally uneasy. A war of attempts at mutual obliteration is moral as well as practical nonsense. We can derive no satisfaction from a policy which is confined to wreaking vengeance for our deaths.

▶ **4.** It is argued that Massive Retaliation is intended only as a deterrent to war. If war came, we would not, it is said, actually use our military power in this manner. "Ike would never let the boys do it." But if we build our aircraft and bombs, and train all our crews to fight a war of obliteration, it may well be impossible, when D-Day comes, for us to fight any other kind of war.

▶ **5.** Massive Retaliation minimizes the temporary advantage we hold by possession of a greater number of nuclear bombs. To conduct Massive Retaliation, relatively few, large bombs are required. The Soviets have a sufficiency of bombs and the U. S. and the Soviets will soon reach a stand-off in the art of nuclear annihilation. The satisfactory strategy for us must be one which enables us to capitalize on our quantitative advantage. With Massive Retaliation, our excess can have little effect on the balance of power.

We also maintain today a conventional strategy dating from World War II. Pursuing this strategy has four major objections:

▶ **1.** A conventional, or non-atomic, strategy hands the Soviets and their satellites a big military advantage. They are relatively stronger than we in conventional ground forces. Only our atomic superiority gives us preponderance of power today. If we gave up this advantage, the Soviets would be encouraged to experiment with military ventures. Their ground forces could quickly take Continental Europe and Asia. It is most uncertain that the Anglo-American industrial base could out-produce the entire Eurasian war economy sufficiently to mount a successful recapture of Europe and invasion of Russia. In the remote possibility that we could, it would be a victory so expensive that we would have lost what we were fighting for. World War I broke the power of France as a world leader and World War II almost broke the back of England. A non-atomic World War III might break the power of America.

▶ **2.** Nuclear weapons are all that stand between us and the advance of massed Communist armies. To surrender their use almost guarantees our losing World War III, if not the cold war beforehand. Unless simultaneous and progressive reduction of other major weapons of war can be arranged under enforceable conditions, we can never agree to an international ban on nuclear weapons alone, even if the Soviets would alter their intransigence on inspection and enforcement. Without our agreement, no ban is possible on nuclear weapons alone. It is unnecessary, therefore, for us to plan to fight a non-atomic war. Proponents of conventional forces argue for the maintenance of World War II armaments "just in case" nuclear war should be outlawed. But how can it be outlawed without our agreement and why should we agree unless other major weapons are outlawed as well? The irrational attempt to justify conventional forces should not be allowed to confuse the issue and add unnecessarily to the defense budget.

▶ **3.** A non-atomic strategy is immensely expensive to prepare for as well as execute. To attempt enforcement of the peace by balancing Communist non-atomic power with conventional force would require a stupendous defense effort for the Free World. This effort would have to be maintained for many decades—not just a few years as in World War II. The Communists direct more than twice the population controlled by the NATO and SEATO powers, and theirs can be regimented more readily for military and war-production purposes. Although they produce only 40 percent as much steel as America and free Europe, they can direct a higher percentage toward military production. To compete, we would have to have such a program of universal military service and give up so much consumer production that the necessary regimentation over the decades might back us into un-American extremes of statism.

▶ **4.** In the cold war, pursuing a non-atomic strategy presents a baffling predicament. Either we lag behind Soviet military production and cannot stop Communist expansion by conventional means, or we organize our industry and manpower for war so that we lack sufficient resources to devote to the development of free centers of political, economic and social strength around the Soviet periphery. Instead we sink toward the Soviet level of regimentation. Heads, the Soviets win with their superior non-atomic military power; tails, the Free World loses freedom, whose preservation is the very object of our struggle.

In attempting to pursue World War II and nuclear strategies simultaneously, we have badly confused the tools for each type of war. We try to put conventional elements of military power in a nuclear strategy, and nuclear elements in a con-

—Sovfoto

SOVIET GROUND TROOPS
"They are relatively stronger . . . in conventional forces"

ventional strategy. They don't fit. The result is that we are not prepared today to fight either type of war satisfactorily.

This point is particularly obvious in our approach to the "mobilization base"—the peacetime structure from which production for war can be increased rapidly after D-Day. It is not yet fully recognized that whereas a mobilization base is the key element of national power in conventional strategy, it is completely unnecessary in nuclear strategy. This point is important enough to warrant elaboration.

In conventional World War II, the Germans made the great strategic error of assuming that initial power was the key to victory. They failed to recognize that the ability to create new military power was the decisive characteristic of warfare at that time and they failed to estimate properly the U. S. ability and will to mobilize. The Allies very logically attacked the Axis mobilization base; to bomb an opponent's factories to retard his rate of build-up was sound strategy in those times when ability to mobilize additional military power was the key to victory. Most of the Allied mobilization base remained safe and sound in North America. With this "arsenal of democracy," Allied mobilization was more than enough to offset initial German strength. Our war production was the decisive factor in the conflict. Little wonder, perhaps, that we treat the mobilization base concept so tenderly today.

But what folly to assume that because a mobilization base was of key importance in a conventional war, it necessarily will be of value in a modern, nuclear war. Because of the revolution in fire-power, the outcome of nuclear war will be decided in days or weeks and not in years, long before any mobilization base could produce power enough to affect the outcome.

In four years of World War II, the U. S. fired or dropped two million tons of high explosives. In modern parlance this is two megatons, only a fraction of the explosive force of a single H-bomb set off early in 1954 in the Pacific. Making allowances for the fact that well distributed conventional bombs can do more actual damage than one equivalent centralized blast, still 100 assorted modern bombs on target will destroy about as much as did all U. S. high explosives in World War II. And a 137-wing Air Force can drop one hundred times 100 modern bombs in just a few days.

A few days of a nuclear World War III would see something like one hundred times the destruction of four years of World War II. The outcome would be decided in a few weeks at the most, and would depend on military forces and stockpiles in fighting position at the outset. Those built after D-Day from a broad mobilization base, however efficiently organized, and shipped across oceans would not be available until long after the issue had been decided.

Despite recent announcements calling for expansion of nuclear air power at the expense of the balanced forces, there are indications that the Administration plans modern strategy for a possible U. S.-Soviet conflict, while continuing conventional strategy for a possible U. S.-Chinese conflict. Indications of this sort are examples of improvised planning based on dubious assumptions. The assumption is made that we can successfully contain Chinese military ambitions without a phenomenal expansion of conventional surface forces. It overlooks the fact that we do not have the preponderance of conventional power in relation to China; that we could not conscript enough Americans to achieve such a preponderance. It further overlooks the prospect that China may some day possess nuclear weapons itself. There is no basis for the premise that Anglo-American and Soviet monopolies on nuclear power will last. With nuclear weapons China, Argentina, Japan, or Yugoslavia could radically change the world balance of power. Planning which ignores such possibilities is hindsighted today.

Third: A NEW APPROACH

III. Nuclear Punishment

FACED WITH THE FACTS OF NUCLEAR LIFE, and committed to not one but two inadequate policies, we ask whether there is another course of action which would lead to truer security. There is, of course, no strategy which will provide **absolute** security. The question is whether **acceptable** security can be achieved at tolerable cost. Setting this as our objective, we can answer this question affirmatively if we act as follows:

A. Drop conventional World War II strategy.

B. Dispose of massive retaliation and substitute a policy of NUCLEAR PUNISHMENT.

C. Specify a series of Nuclear Punishments to be inflicted on any nation committing aggression against the U. S. or one of its allies, the punishment to fit the crime as follows:

► **1.** Punish an aggressor who attacks with conventional surface forces by destroying, with tactical nuclear weapons, his units in the battle zone and immediate rear areas.

► **2.** Punish aggression which is supported with conventionally armed aircraft by hot pursuit in the air and nuclear attack on air bases of the aggressor.

► **3.** Punish nuclear aggression by using our nuclear plenty to destroy instantly and utterly the nuclear stockpiles and the entire delivery capability of the aggressor.

► **4.** Withhold nuclear attacks on aggressor cities unless the aggressor first attacks cities of the U. S. or its allies with weapons of mass effect.

Recent delivery of atomic cannon, rockets and missiles to modern Army forces now in the field enable immediate use of tactical nuclear weapons to neutralize conventional ground and air forces with economically feasible military power of our own.

The ability to destroy nuclear military forces exists in the **counter-force** capability of the Strategic Air Command, the Tactical Air Commands, and the offensive Carrier Task Forces.

The capacity to wipe out cities in retaliation against nuclear attack on our cities exists in the **counter-economy** capability of the Strategic Air Command.

With the exception of weaknesses in our intelligence, a policy of Nuclear Punishment can be carried out today. It is fully consistent with historically accepted principles of justice. It substitutes punishment to fit the aggressive crime for our present reliance on threats of ultimate punishment to meet all situations.

The intent to retaliate directly against conventional forces of satellite or Chinese Communist nations is asserted, in case they grab for more territories of the free world. The intent to strike massively and instantly against Soviet nuclear forces in case of Soviet military aggression is made the cornerstone of our defense policy. The ultimate punishment, annihilation of Soviet cities, is reserved in case the Soviets commit the ultimate crime by first attacking our cities with weapons of mass effect.

IV. Stopping Local Aggression

IN WORLD WAR I, defense of a line was elaborate and costly, but assault was much more so. In World War II, armor and close air support gave the advantage to the offense. Now the pendulum has swung back drastically. The revolutionary

increase in fire power which nuclear weapons place in the hands of defending troops provide the defense with near absolute superiority at relatively low cost. With tactical nuclear forces, the defense can render a battlefront virtually impenetrable. The new Army, employing highly mobile cellular units, can readily stop any remnants that get through.

It is now feasible to draw a line between Communist and free Asia, for example, and hold this line against massed surface forces. We can stop surface aggression by decimating attacking units with existing nuclear bombs, cannons and rockets. To avoid unwarranted suffering by the people of the aggressor nation and to punish only forces of the regime, the attack can be limited, insofar as possible depending on topography, to an area within about 100 miles of the aggressor's border. Aggressor units moving through this communications zone to the front can be destroyed by nuclear weapons faster than they can be brought up from the interior.

Presumably the battle front would first extend over territory of the friendly ally. To avoid punishing our ally rather than the aggressor, we would endeavor first to destroy the aggressor's reinforcements and logistics in the communications zone, cut off aggressor units in allied territory, and thus force their surrender. We could refrain from nuclear operations on friendly territory unless our ally considered them militarily necessary. If the aggressor should support ground aggression with conventional air forces, we would punish with nuclear devastation his air forces and bases involved, whether in the communications zone or behind.

Penetration behind the communications zone to attack the aggressor's interior is unnecessary, as neutralization can take place when military forces of the aggressor enter communications and battle zones. Agriculture, cities and industrial complexes behind the 100 mile communications zone in aggressor territory need not be attacked.

We would endeavor to prevent air attack on our ally's interior by announcing our intention not to retaliate against the enemy interior, unless he first attacks our ally's.

Our reaction to each of these forms of aggression would be made quite clear beforehand. The aggressor would know full well not only the consequences of his initial aggression, but also the multiplied retaliation which would befall him if he were to resort to more flagrant methods of aggression. Sure knowledge of multiplied punishment can prevent brushfire wars from spreading to major conflagrations.

Suppose the aggressor attacked with nuclear weapons? Our present superiority in these devices makes it extremely doubtful that the Soviets would support local Communist aggression with weapons from their own nuclear stockpile. They are obliged to reserve their nuclear striking power, inferior to ours in quantity, for attack on our air bases in the event of World War III. An exchange of nuclear blows along a battlefront would render it completely static, so that Soviet commitment of nuclear weapons would not enable their surface forces to advance.

But if the Soviets, or any nuclear-equipped aggressor, employ nuclear weapons, "hot pursuit" would be our announced reaction. In this event, we would attack instantly and massively all the nuclear stocks, forces, and bases of the aggressor nation. In destroying its nuclear capabilities, we would make clear that no cities would be attacked unless those of our ally were first attacked. Our unquestioned ability to commit overwhelming nuclear plenty immediately from remote bases could be used to stop and prevent the spread of any type of local military aggression, conventional or nuclear.

Nuclear strategy is now construed as applicable only in all-out global war. But, in Asia, Mao Tse-tung's generals are second only to the Soviets in power to fight conventional war. Thus Mao, whom the defeat of Nationalist forces against 3-to-1 odds has revealed to be a strategist as brilliant as the world knows today, has enormous room to maneuver. He can threaten, bluster, wheedle and attack. He can commit forces anywhere along his periphery to satisfy Chinese imperialist ambitions with virtual impunity; the manpower cost is irrelevant to China. By threatening war to obtain counter-threats from the U. S., he drives a wedge between us and our allies, and secures bargaining points for furthering Chinese political ambitions in the U. N. and elsewhere. His military capacity also constitutes a good bargaining point with Moscow in his efforts to extract more economic and military aid. His blustering sets up the external scape-goats to excuse his internal program of "everything for the armed forces" and vast industrialization at the same time.

We cannot hold local Communist land forces at bay in adventures of the Korean type by relying on conventional forces for situations in which the aggressors are willing to commit superior numbers of troops. To stop Mao and save Asia, or any region where any aggressor may start local wars, we must deny them their conventional superiority and throttle their freedom to maneuver diplomatically with threats. We can do this only with the ability and will to commit tactical nuclear weapons.

In the stalemate thus achieved, the Communists would have only two choices: to halt aggression, or engage in total war. The latter imposes on them the gravest risks of ever more murderous punishment.

Suppose the Soviets counter our announcement of Punishment policy with the threat to A-bomb New York the instant we explode one nuclear weapon in an effort to stop local aggression. Would we risk starting a major conflagration by using nuclear weapons to put out a small fire?

As long as we possess nuclear superiority, it is illogical for the Soviet to carry out such a threat. The Kremlin is well aware that an attack on New York would bring immediate disarmament of all its nuclear forces and perhaps untold destruction to Soviet cities. With our nuclear plenty the Soviets would be powerless to prevent it. The Kremlin would be no more.

In short, such a Soviet threat would be pure bluff. We would require, however, the judgment to recognize it as such and the fortitude to call it. Our failure to do so would be disastrous. The alternative would be to resign ourselves to Communist domination with conventional forces in the nuclear age.

V. Winning a War With the Soviets

GENERAL TWINING, CHIEF OF STAFF of the U. S. Air Force, has remarked, "The best way to prevent war with Russia is to be able to win." When we concentrate on planning to win, we must not lose sight of the fact that our real objective is to prevent. But how to win needs first to be considered. What is the best way?

We must have nuclear weapons systems ready before D-Day which are superior in number and quality to engage Soviet nuclear forces. These weapons, which must be hidden from attack and cocked and aimed at Soviet nuclear forces, constitute the core of our military might. We must launch our strategic counter-attack instantly and massively against Soviet nuclear weapons systems at H-Hour, **without dissipating their use on other, indecisive targets.** This course of action must be the crux of our major strategy. The emphasis must be on **counter-force** strategy, not **counter-city** strategy.

United States and Soviet equality in a war of annihilation is fast upon us. Next year, if we both choose to use our nuclear power against cities, we could destroy perhaps 75 per cent of major Soviet cities; they could destroy perhaps half of ours,

particularly as we assume they will have an aggressor's major advantage of surprise. The correct figures do not matter—each antagonist would be dead as a nation. You can't kill a man deader than dead. We can no longer extract a balance of power advantage in a war of counter-city blows.

Therefore, our military advantage—if we are to have one—must be sought from superior ability to destroy Soviet nuclear military forces. In the brief interval between the first Soviet nuclear explosion of 1949 and their acquisition of nuclear sufficiency, the military strategy game that we thought we could play **successfully** with the Soviet has changed completely. Before 1949 our ability to annihilate was unchallengeable; the Soviets had no way of countering it and the balance of power ran strongly in our favor. It was sound planning to base our military posture on massive blows aimed at the heart of Russia.

After 1955 the Soviets will have sufficient ability to annihilate. But because we have many more bombs than the Soviets, we can plan to use this advantage for the destruction of Soviet nuclear military forces. Poised in a counter-force posture, our superiority in nuclear numbers can give us an overwhelming military advantage. The balance of power can once again be swung markedly in our favor if we skillfully prepare to dodge, seek and kill Soviet nuclear air forces.

Nothing else really matters. The only military job we need to concentrate on at H-Hour is destroying Soviet nuclear forces. This battle will be the decisive phase of the war. If this is won, everything else is possible. If it is lost, everything will be lost.

History is strewn with failures to recognize early enough the decisive nature of new weapons. The British used the first tanks in 1915. But they failed to realize that tanks would be decisive only in a war of movement. Instead, they committed them unsuccessfully against a static front. The Germans were first to use strategic air power in a major war, against Warsaw. Early in World War II, they committed it indecisively against morale targets like Coventry and London, hoping to destroy the illusive "will to resist" and force the British to sue for peace. But as Chester Wilmot pointed out in "Struggle for Europe," had the Germans committed air power solely to attack on British air and naval defense units—had they used counter-force strategy—they would have won the Battle of Britain.

Unless we wish historians to list us with the others, we must reshape our military establishment to reflect the overriding military need of our times: a capacity for successfully exchanging instant nuclear blows with Soviet nuclear forces.

Our military recognized this publicly as long ago as 1951. In August of that year the late General Vandenberg said this at a Los Angeles press conference:

> Our own development of the atomic bomb, the fact that Russia has exploded such a bomb . . . and our own atomic bomb tests have changed the order of things. In the event of war, the emphasis, in point of time, must go first to destroy the enemy's ability to smash us and then wreck his warring potential.

The Government thus announced what must be done first, but adherence to the outmoded second step has so confused the issue that we have not today the best force composition to dodge, seek and kill Soviet nuclear forces.

The point has been made that industrial dispersion is of little or no value in nuclear war because the decisive phase will be too short for industrial production after D-Day to have any military usefulness. But quite the contrary is the case for force dispersion. In counter-force war the ability to dodge enemy attack is as critical as capacity in being to destroy enemy offensive capability.

The key technical problem is no longer one of range extension. This has essentially been solved and planning should recognize that neither antagonist is range limited. The problem has become how to achieve range capability without having bases which are vulnerable.

As long as we needed range and had only the technology to achieve it with bases that are vulnerable, and as long as the Soviets had but small numbers of nuclear bombs, our enthusiasm for big bombers and supercarriers was justified. But now our nuclear striking power is largely tied up in relatively small numbers of vulnerable sea and land bases. Today our long range air power operates mostly from large carrier and bomber bases, and both are highly vulnerable to bomb and missile attack.

Unless the naval program is revised to provide means of operating planes from the sea that are less vulnerable than carriers, and unless the big-bomber program is also recast to provide less vulnerable bases, both forms of striking power will be unprofitable in the long term. Huge bombers have to double as transports in flying endless hours across undefended water or Arctic waste; it is like building a naval tanker and destroyer as one unit. Vulnerable before it is airborne, vulnerable in the air, expensive to build and operate, and inflexible in its uses, the big bomber becomes obsolescent as the Soviets gain in offensive nuclear power. Although B-52's and supercarriers are at present useful in our operating forces, they are too expensive in relation to their military return. Also it is unfortunate to expend money on elaborate defenses to protect them, thus committing so much of our military strength to an unnecessary defensive posture.

To minimize the vulnerability of our attack forces to Soviet surprise assault, they must be essentially baseless and operate instead from a large number of small, dispersed, mobile or sub-surface sites close to the Soviet periphery. The techniques for doing this are all at hand, and we can now begin to build baseless, nuclear air striking power to replace existing equipment operating from vulnerable bases.

Already available are flying tankers to act as airborne refueling stations. From these airborne sites and from refueling strips with underground facilities, fighter-weight aircraft carrying nuclear bombs, such as the F-84F Thunderstreak, can now penetrate Soviet defenses and reach most targets with air refuelings. Medium bombers like the B-47, and later the newly announced supersonic B-58, can make the deep penetrations. Missiles can be fired from the air and sea, from mobile ground positions, and from underground sites. The advent of Lockheed and Convair vertical-take-off aircraft heralds the day when aircraft can be refueled and rearmed directly from trucks on highways.

The Navy can soon play a major new role in making dispersed refueling and repair sites feasible in the open sea. Revolutionary advances have resulted in Convair's hydrofoil jet, the Sea Dart, and its new turbo-prop flying boat. When fully developed, Martin's experimental 600 mph P6M Seamaster, the world's first multijet seaplane, can operate with complete flexibility in or near enemy waters. Refueling and rearming at sea from submarines, small craft and flying boats will solve logistics vulnerability problems. The day is nearing when obsolescent carrier task forces can be superseded by seaplanes, comparatively low cost weapons with far better chance of survival in nuclear war.

With further development of techniques of this kind, we can reshape our nuclear air power so we need no longer fear that our counter-attack strength will be gutted in one swift, Soviet surprise attack.

To overcome base vulnerability is the critical military reason we need allies. Baseless range extension is far easier with highly mobile stocks, refueling stations and other portable logistic facilities, staged and maneuverable close around the

Soviet periphery. This compelling need can be met only with full cooperation from like-minded allies. Such collaboration is politically feasible only if we offer them full military partnership in our efforts to stop Communist aggression.

The Iron Curtain has made our intelligence problem extremely difficult. Confusion about strategy has compounded the problem. Because of our fascination with mass bombing, insufficient attention has further hindered progress in intelligence and reconnaissance on Soviet military forces.

Taking the emphasis off economic targets and concentrating on nuclear-force targets will improve the usefulness of conventional intelligence and reconnaissance techniques. Airborne methods offer attractive possibilities if we discontinue the use of obsolete B-29 photo reconnaissance aircraft near Soviet borders. The post-war revolution in military technology can provide better techniques than this.

Looking to the future, journals have been full of reports of the possibilities of an earth-encircling space platform a few hundred miles up that could be used for observation purposes. The New York *Times* reported on December 22, 1954 that the combined efforts of the military services were being devoted to studies of "earth satellites." The present state of the aeronautical art makes the satellites feasible in the not-too-distant future. A few simple calculations, assuming lenses no larger than those now used in aerial photography, show that these might see, and perhaps return to earth by electronic means, gross details of larger military installations.

Counter-force strategy requires accurate bombing. But it is difficult for air crews to maintain high interest in pinpoint accuracy as long as our Air Force is preoccupied with the use of area weapons. When you plan to use a weapon whose radius of destruction is measured in miles, you don't worry about a few hundred yards, more or less, in circular error. As soon as the nation rids itself of a mobilization base mentality and corollary thinking in terms of blows against large city areas, it will then be easier to pursue again pinpoint precision in bombing.

But there is an even more important reason for pinpoint atomic bombing instead of hydrogen area bombing. This is because of fall-out. Fall-out is what killed fisherman Aikichi Koboyama, the world's first victim of a hydrogen bomb. When radio-active particles drop from the drifting clouds of a nuclear explosion, vast areas are contaminated. Scientists have estimated that both the United States and Russia have stockpiles which, if exploded in total war, would alter the basic conditions of life on this planet. By aiming large nuclear blows at the Soviet economy, the United States would in effect be committing genocide—**and for no justifiable military reason.**

We should instead use small atomic weapons, selected only to destroy or deny access to military targets. Penetration bursts rather than air bursts can in some cases localize the effects of fall-out and deny normal access to the area for long periods.

The lack of a clear course of action sufficient to the times has resulted in our building air power that is not very efficient for modern war. But once our military purpose is clear, we can very readily select the most suitable means.

As for the Russians, they should not change their course of action after we fully embrace a counter-force strategy. Logically they are already compelled to pursue one. They should attack our airfields first—they cannot afford to waste a bomb on our cities until our nuclear air force is substantially destroyed. They undoubtedly realize that a few weeks' production from our cities is inconsequential compared with their decisive task of first knocking out our air forces. They have been reported to be dispersing their own air forces as much as possible and to have rocket sites of relative invulnerability. They solve much of their intelligence problem by reading U. S. newspapers. Their present strategy should already be to hide from, seek and kill our nuclear air forces. The only impact of our change may be to accelerate their efforts along the same course of action.

The ability is in our own hands to return the destruction of warfare to the battlefield—the new battlefield of air power installations. The civilian realms of both antagonists can, if we so choose, be removed from the conflict.

VI. Withholding Attacks on Cities

THE MILITARY CONSEQUENCES of restraining counter-city blows after D-Day must be examined.

Military planners speak of war as having three principal phases—the build-up, the decisive, and the exploitation. It has already been made clear that for a nuclear World War III, the build-up takes place before the first shot is fired and the decisive phase will be over in a few weeks of nuclear blows after D-Day. During exploitation, the victor of the decisive phase normally uses political and diplomatic instruments, as well as his hard-won military dominance, to impose his will and terminate the war. The peace is partly negotiated, partly persuaded and partly forced.

In the decisive phase, just as fast as possible after H-Hour we must attack all Soviet aircraft, missiles, missile launching submarines, bases, stores of fuel and nuclear explosives, and the directly supporting military supply system. When these targets are located in or near cities, allowance will have to be made for bombing error. But if we make precision attacks on nuclear targets in cities, with explosives just sufficient for each target, our bombing accuracy can limit major destruction to about one-half mile of the target circumference. The pinpoint precision of our most experienced and best-trained crews in the last war is an indication of what can be done. The operations of the renowned British "dam-buster" squadron demonstrate that almost any degree of precision can be achieved for special targets—even to laying peneration bombs in the middle of something as narrow as a dam.

For purposes of the proposed policy, we should define a city as any population concentration not within the destruction radius of the size weapon required to destroy a military nuclear installation. There are no other military targets in cities which we need to bomb. Soviet production during the few weeks of the decisive period cannot affect the issue—any more than ours can. Nor can Soviet ground troops within cities affect the decision, even if they should be moved to the front during these few weeks. If we win the nuclear air battle, we can subsequently destroy those troops at will. Thus, there is no reason to bomb cities to get either ground forces or production facilities.

A false argument favoring D-Day attack on Soviet cities supposes that in the decisive phase, neither side will achieve nuclear air dominance because each side will knock out the nuclear military power of the other; there would then be a race to build conventional and nuclear weapons systems again. If we had in the meantime destroyed his industrial base, we would win this second build-up race. The fallacy in the argument is this: if we do not bomb Soviet cities we would have nuclear air power left over from the decisive phase to later bomb his production facilities if that should prove necessary.

By leaving Soviet cities alone during the decisive period of the war, we increase rather than decrease our military efficiency. As military strategists from the beginning of time have pointed out, to dissipate effort on non-decisive targets during the decisive phase is a cardinal sin in war.

If we win the decisive phase of World War III, Soviet bases and nuclear weapons systems will be destroyed, but vast land armies may remain. If our peace terms have been clearly and publicly defined beforehand, there is a strong

possibility that we could quickly terminate the war. We would use a combination of:

1. nuclear bombing of land armies and threats to do so;
2. a threat to pulverize production and cultural centers, after appropriate warnings to the populations to evacuate in keeping with our promise not to bomb population centers unless ours were first attacked;
3. diplomatic negotiation if the Kremlin proves tractable;
4. in case it does not, a strong propaganda drive to encourage dissident elements to rebellion; and
5. airborne military seizure of a few key administrative centers such as Moscow.

The high human and material costs of a lengthy exploitation phase can be saved if we have a carrot available to go with the stick—the promise of saving production and cultural centers from obliteration if the enemy will accept our peace terms.

In World War II, our policy of unconditional surrender, to teach the Germans a lesson they would remember, plus the lack of clearly defined peace terms or post-war political objectives, meant that, after the decisive phase ended with the Normandy invasion, we waged the exploitation phase using military power as the sole instrument of our national will. We did not offer any encouragement to, or try to negotiate with the dissident elements in Germany who recognized the decisive phase was lost, and some of whom even tried to assassinate Hitler a few weeks after the invasion. We did not try to isolate the people from the regime. Instead we and our allies were trying to destroy the illusive "will to resist."

Doctrinaire Douhet-ites of the airpower school have long advocated that the will to resist is a principal target in war, despite Coventry, Berlin, and much other experience invalidating the theory for general use. With our allies we used our dominating military power toward the end of World War II to bludgeon Germany and drive the people further into the arms of the existing regime as their only hope of succor, particularly after von Runstedt's failure in the Ardennes. This policy made necessary the costly march of Allied and Russian armies across Europe to Berlin, plus extra months of bombing an already defeated Germany. Finally, it installed the Russians in the unnecessary power vacuum we created.

There is another sound reason for withholding city attacks on the USSR. Ancient Chinese strategists called it the "silver bridge" of an acceptable alternative. Restrained, counter-city blows allow us to present a silver bridge to the Soviets, in the form of an acceptable alternative to destruction. If the Soviets do not wish to face annihilation, they can withhold attacks on our cities. Our own restraint would shield cities of the Free World against attack by weapons of mass effect—a shield which we discard if we plan to attack Soviet cities on D-Day. This shield can be tempered to great hardness by determined diplomacy making clear to the Soviets the substance behind our retaliatory threat and the attractiveness for them in restraining their city attacks.

A question which the reader may well advance at this point in the discussion concerns irrational Soviet behavior. Suppose, he may ask, in spite of our threat of retaliation and in spite of obvious military reasons impelling them to knock out our air bases first, the Soviets do strike at our cities with weapons of mass effect. If they should behave in such an irrational and un-Soviet manner, it is still best for us to concentrate on their nuclear air forces. Only when these are annihilated will our cities be free from attack. We can later threaten Soviet cities, after warning to populations, should that become necessary to terminate the war.

But the reader may press the question. If the leaders of the Kremlin are cornered in a war they are obviously going to lose, might they not behave fanatically, as an atomically armed Hitler certainly would have, and choose to destroy the world rather than lose to an opponent? We might deal with this prospect by again availing ourselves of a carrot-and-stick approach. In the course of announcing that we are restraining our counter-city blows unless United States or Allied cities are first attacked, we could aim a message specifically at Soviet air crews and Red military leaders.

In messages to aircrews we could hold out the carrot of sanctuary if, instead of carrying out assigned missions to bomb our cities, they fly over certain corridors to designated air bases. The stick is, of course, the threat to annihilate their families and cultural and economic roots in Soviet cities if they carry out their mission and bomb our cities.

Red military leaders would also be important targets. Political leaders of a nation facing defeat are often fanatical. However, military leaders are usually realists—the first to recognize when the game is up and plan accordingly. They are the professionals, in defeat and victory. In defeat, their position in the country can depend on their ability to save their people from useless death and suffering.

A carrot-and-stick approach to Red military leaders could be very effective in causing dissension between the armed forces and the Kremlin. The clash between Hitler and the German General Staff in the closing months of World War II in Europe is a recent example. A carrot-and-stick approach could facilitate ending a major conflict without having to resort to nuclear genocide.

A psychological-warfare campaign begun now can drive a powerful wedge between the Kremlin, Soviet military leaders and airmen should the Kremlin ever fanatically order attacks on our cities. Prospects for large-scale subversion of Soviet air crews and military commanders by this approach are favorable. Subversion of one pilot and termination of one nuclear mission thereby would more than justify the propaganda effort involved.

In broader aspects, the significant point of restrained counter-city blows is the fact that we renounce total war as a defense policy. If it were ever a useful concept—and this is doubtful—"total war" is 100 per cent foolish and useless to anybody in the nuclear age. A war of counter-city blows must be avoided at all costs—it is tantamount to mutual suicide. It will be a great day for America when we renounce nuclear bombing of population centers and abandon our 12-year adherence to the uncivilized policy of total war until unconditional surrender. It will be a greater day for the world when we can with assurance disarm.

VII. Coups d'Etat and Subversion

WE CAN USE Nuclear Punishment to prevent military aggression from without but how do we prevent aggression by violent seizure of power from within, by political infiltration, and by moral and psychological subversion?

The threat of Nuclear Punishment can be helpful in deterring internal seizure of power. Suppose the 1948 Communist coup in Czechoslovakia were to occur today. Suppose there were a U. S.-Czech Mutual Security pact which provided that, in the event of violent seizure of power in Czechoslovakia, the U. S. would be obliged to occupy and police the country temporarily pending prompt U. N.-supervised elections.

Under these circumstances, when Premier Masaryk and other government officials were seized and held incommunicado, U. S. paratroopers could have occupied the Czech capital from bases in Western Europe within a few hours. U. S. and Allied nuclear forces could have been standing by to seal off Czech borders in the event Soviet troops attempted

to intercede. Czechoslovakia could have been defended until its people had an opportunity to express themselves politically.

These opportunities could be made available not only through mutual security pacts with countries interested in bilateral agreements of this kind but also through arrangements between the U. N. and member countries. Elite troops for temporary occupation and military government could be made available on call to the U. N. by the U. S. and other like-minded nations. Eventually, U. N. Charter revision may be able to provide for such guarantees of political expression for all peoples.

Military action would be of no direct value in situations involving more subtle infiltration and true subversion. But strong military protection, furnished by a nuclear ally empowered by international authority to police a nation pending prompt U. N.-supervised elections, can do much to prevent the feeling of hopelessness which gradually undermines a country in the advance stages of political demoralization. In addition, the economic, technical, and informational resources of free nations can be brought to bear to compete with the forces of subversion at work in the country. With effective military power organized to frustrate violent aggression the Free World should succeed in non-violent competition to keep peripheral areas of the world from falling under Communist domination. If the Free World fails in this context, it surely deserves to lose.

The fact remains that the Communists have never been able to seize power outside areas occupied by their troops when they did not have two weapons: a militant Communist minority to seize power by violent means from within and massed Communist troops on the border to move in if internal efforts failed. This kind of a Communist operation can be stopped in its tracks by special mission forces and the threat of Nuclear Punishment to seal the borders.

Fourth: THE MILITARY PROGRAM

VIII. A New Power Base

UNDER A POLICY OF NUCLEAR PUNISHMENT the military power of our nation should consist of military forces **in being** erected from and resting on a modernized structure of national support. Active military forces, trained and equipped for immediate combat, are of overriding importance; forces potentially mobilizable from reserves of manpower and expandable production facilities are of no value in deciding the outcome of World War III, and of little value in preventing incidents around the Communist periphery from flaming into brush-fire wars. As emphasized earlier, a broad mobilization base is a useless foundation upon which to base our active military forces. Instead, we need a tripartite base of intelligence, research and development, and efficient production.

Intelligence specialists talk of two major determinations, intentions and capabilities. The only important aspect of the "intentions" problem is to obtain accurate and timely warning of aggressive attack.

The warning problem should be analyzed on a time basis; warning of the year of maximum danger; warning several weeks before an attack; warning several days before an attack; and warning several hours before Soviet aircraft pass our radar screen. The warning problem has several aspects. What kind of warning intelligence can we obtain and what kind is useful? How will we react to what degree of warning? The fallacy in counting on identity of any year of maximum danger has been broadly recognized. It is virtually impossible to get experts to agree on the most dangerous period, and those responsible for decisions have great difficulty taking effective action on the basis of such estimates because they know that shorter interval developments have great bearing on the exigencies of a D-Day situation. President Eisenhower has announced that his Administration believes in military forces constantly ready to meet the danger of Soviet aggression each and every year.

The fallacy in counting on several weeks' warning is that the Soviets, in the process of military training and maneuvers, can simulate preparations for real war so effectively that at very little cost they might force us into expensive reactions and keep our national nerves on edge. It is still useful to follow the movements of Soviet military forces and to try to infiltrate high military and government levels to obtain several weeks' indication of an attack. But we can hardly react to such indications except to put our intelligence services on 24 hour alert to watch for further developments.

A few days' warning is a different matter. Although the Soviets without great cost could perhaps simulate an attack to be launched in a few days, and although we cannot rely 100 per cent on such indications, the fact remains that with a few days' warning all our military forces can be made much more **combat-ready.** In effect, with a few days' warning we might multiply our fighting strength considerably. Such is the importance of a few days' warning to alert our military and for civilian defense that we can afford to pay handsomely for it.

The arguments on the importance of a few hours' warning are identical but more critical. The cost to the Soviets of spoofing is probably greater and much improvement in our fighting effectiveness will result from just a few hours' warning in advance of positive confirmation from our radar screens. We would probably send our bombers on their way but would we let them drop bombs? Should we tell bombardiers to do so when the Soviets pass our radar nets in large numbers?

We must first define the act of nuclear war and then announce that commission of the act by a possessor of nuclear weapons would trigger instant destruction of his nuclear capability. In the present period of U. S. nuclear plenty and Soviet sufficiency we can consider such an act the explosion of a nuclear weapon in an attack on the U. S. or one of its allies. Presumably, this is our present plan. Thus warning intelligence is vital to cock our military power but not trigger it. Rejection of the preventive war thesis means that warning intelligence and even radar early warning will not trigger our "bombs away."

Along with critically important warning intelligence, priority is shared by the need for full knowledge of Soviet nuclear air capabilities. For reasons already established, our nuclear air capabilities must continue overwhelmingly superior in quantity and quality, and counter-force strategy will require timely and accurate intelligence on Soviet nuclear forces to be effective.

As for other Soviet military capabilities, they are of secondary or negligible importance. Specific factory production data for target purposes is not significant when Soviet cities, if ever attacked, will be attacked with large area weapons. It is somewhat important to know something about conventional Communist military forces before the start of any local or total war, but such information is of secondary importance. If our aerial reconnaissance and combat intelligence units are reasonably competent in obtaining battle and communication-zone information immediately upon the outbreak of any war, it is of less importance to gather this information before war's outbreak.

One thing a proper intelligence base can do is help insure

that we are not preparing to overcome imaginary Soviet strength. Weak intelligence inevitably leads to estimates on the "safe" side. This can be a very expensive proposition.

The critical problems of military intelligence for a policy of Nuclear Punishment can be solved by three means:

▶ **1.** New technology must be exploited to obtain warning and information on Soviet nuclear air capabilities. In my opinion, research on the problem of pre-war intelligence is the area where the taxpayer will get the maximum return for his defense dollar.

▶ **2.** The second element in the first-line intelligence team will be rejuvenated methods of combat intelligence, particularly aerial reconnaissance able to operate around the clock in all weather conditions. Today combat intelligence systems are bogged down in detail—detail of the location and manning of specific units, detail of the personalities of military leaders, detail of the order of battle, detail on the minute characteristics of targets. This detail is of secondary importance when we are planning to use nuclear weapons. It clogs communication channels. The vital messages which give us the aiming points at which nuclear weapons must strike cannot get through to our bombardiers and artillerymen in time for them to destroy enemy concentrations which are certain to move rapidly. Modern techniques of combat reconnaissance, when put on an area basis consistent with nuclear weapons, can provide timely information on conventional communist forces after D-Day sufficient for nuclear targeting purposes.

▶ **3.** Conventional intelligence techniques should also concentrate on providing warning of imminent aggression, and information on Soviet nuclear air capabilities. These two problems are so overriding and the difficulties of operating in a tight police state are so extreme that conventional efforts should not be directed toward any other military intelligence purposes.

The second part of our support base is research and development to create new means for maintaining our qualitative military superiority. Since 1940, the technological revolution of our times has had a continuous and dynamic impact on our military structure, and this must be continued.

First, it is imperative that basic scientific research in the U. S. secure more support. Through pure research, which often appears aimless to the practical man of action, we create new scientific knowledge for subsequent exploitation by military scientists. Such activity, expanded through the National Science Foundation and normal university channels, will provide workshops for scientists who now complain so justifiably of the restrictions imposed on their creative abilities by military securities.

The problems of making the benefits of pure research quickly available to active military forces has resulted in formation of an applied technology team of military officers and scientists. While improved teamwork and methods can probably increase their output slightly, a sizable increase can only come from more military research and development. It has been stated that about half our national research and development efforts go into military technology, leaving half for basic research and for bettering the material welfare of the American people. While it is perhaps not desirable to increase the military share of the research effort, nonetheless a much greater quantity is unquestionably necessary to succeed in the many programs now on the military agenda: piercing the sonic barrier with production aircraft, beating the Soviets to the IBM and earth satellite, trying to find a defense against rockets, vertical-take-off and hydrofoil aircraft for dispersed operations, night and bad weather reconnaissance eyes, sophisticated fuels and a thousand others.

A continually increasing military research budget is necessary to create the demand for more national research capacity. The demand thus created, particularly if supplemented by similar pressures from industry, will eventually be satisfied by the training of more scientists and engineers.

The third part of the support base is efficient production. This base must be constructed not with a view to expanding production after D-Day, but for the purpose of quickly placing the benefits of technological improvements in the hands of combat-ready forces, at lowest cost. It cannot be said too often that production after D-Day can have no appreciable effect on the outcome of modern war and that a mobilization base is of no value.

For civilian defense we can shut down our cities on D-Day for the few weeks of the decisive phase. We can leave a small maintenance force easily sheltered, and evacuate populations to the country. Not only would this measure be more satisfactory than evacuation before each raid and cheaper than huge underground shelters, but absence of populations and production activity might remove an incentive for a Soviet attack.

The entire concept of our military production base must be modified if we are ever to enjoy acceptable security at tolerable cost in the nuclear age.

IX. New Military Organization

THERE ARE TWO REASONS why we do not have the best military establishment our money can buy: strategy and structure.

Strategy has already been discussed. As long as we are confused by two inadequate strategies, there is room for disagreement between Army, Navy and Air Force leaders about which units should receive priority in the military line-up. A single clear strategy will provide a rational basis for cutting out the many unnecessary military forces that are now maintained but which constitute neither an effective deterrent to war nor an effective means of deciding one in our favor. When our national purpose is clear, and when we have a counter-force strategy consistent with it, our military means can be shaped to serve them. There will be sound criteria for evaluating the relative effectiveness of this or that military proposal, and budgets for useless units cannot long continue hidden in the confusion over strategy.

The second reason why we do not have the best possible defense is the structure of our military establishment. It has been soundly criticized by former Air Secretary Finletter because its present organization can never produce the right types of forces to provide adequate security at reasonable cost. To overcome deeply vested military interests of the Army, Navy and Air Force, the operating commands must be regrouped and the Department of Defense reorganized both by appropriate legislation and executive order.

Our military commands must reflect military mission and not existing means. The commands, managed directly by the Secretary of Defense through an operations office constituted of the reorganized Joint Chiefs of Staff, should be set up according to primary missions regardless whether the units in each command are trained and equipped by the Air Force, the Navy or the Army. The three services should serve to build military power from the nation's support base but, once combat-ready, their units should be placed under operational control of a commander owing loyalty only to the Secretary of Defense and assigned a mission which is a specific part of our strategy. To bring this change about, an executive regrouping into five types of military command is necessary.

First, there should be a Nuclear Air Command, composed of superior nuclear offensive aircraft. This command should

be relatively invulnerable to surprise attack and used to destroy Soviet nuclear air power at the fastest possible rate after H-Hour of a U. S.-Soviet War. Although its nucleus at first would be the present Strategic Air Command, it would also include many elements from present Tactical Air, Naval Air, and Submarine Forces.

Next there would be Combat Commands—NATO, whose command structure is now properly organized, and another command whose units are suitably deployed for flexible use around the Communist Asian periphery. In accordance with provisions in mutual security agreements, these nuclear-equipped Commands would have the mission of destroying aggressor surface forces in the communications and battle zones, and aggressor air forces, if necessary. Besides modern Army surface units, nuclear rockets, and close-support bombing aircraft from present Tactical Air Commands, these two new Commands would have air reconnaissance forces able to overfly the battle zone and rear areas to watch air fields and approach of Communist ground forces in the daytime, at night, and in bad weather. These mobile units of surface and air power would be air supplied and able to operate in dispersed, cellular fashion to be relatively independent of the conventional, "chain of supply," surface logistics system.

To make Soviet air attack against the continental U. S. as costly and difficult as practicable requires Continental Defense Commands. The recently organized Continental Air Defense Command of Air Force, Army, and Navy units is a start toward overhaul of command structure required throughout the military establishment. Pacific and Atlantic Naval Commands are needed to protect the U. S. against naval and undersea attack, particularly with missiles launched from submarines.

A Special Mission Command of elite, conventional units is also needed. A logical nucleus should be our present Marines and Army Airborne, with their own air and amphibious transport. In cold war, these forces would participate in stopping small-scale local aggression in situations where nuclear power is not necessary. They would undertake a variety of special operations such as commando work, combat reconnaissance, and local police action. During the exploitation phase of major war, the Special Mission Command would occupy key aggressor administrative centers. It should then be augmented by reservists trained in mopping up operations and military government duties; this is the logical role for reserve personnel in modern war. Universal military training should prove unnecessary, as voluntary military reserve programs can provide sufficient troops for this mission. Active and reserve forces should be manned in a democracy by volunteers attracted by career incentives, not by impressed and unwilling recruits.

Between our supply points in the U. S. and our dispersed military forces operating overseas, we should operate Military Logistics Commands composed in major part of air transport, with a supplementary surface supply system. The air units would provide the speed and mobility so necessary to modern war. A faster supply line permits earlier introduction of new military models. The cost of air transport would be partially offset by reductions in pipeline stocks. There could also be major savings in Army, Navy, and Air defense units now assigned to protect the vulnerable land and sea supply system, which moves matériel too slowly to have much effect during the decisive phase. The decisive phase must be fought from stocks in dispersed dumps. The vulnerable surface supply system is supplementary and of value only before D-Day and during the exploitation phase; in neither period is elaborate and expensive logistics defense necessary.

To give effect and direction to this structure, the Office of the Secretary of Defense, the Joint Chiefs of Staff and the Weapons Systems Evaluation Group must be substantially overhauled to rid them of present voting committees of representatives owing allegiance to existing military organizations. The military leaders in these offices and the top officers in the operational commands must divest themselves of loyalty and second responsibility to the service from which they came.

Once the National Security Council sets clear defense policies, the best means to carry them out can be determined objectively from results of maneuvers, the new war gaming techniques, and the military judgment of a reorganized Joint Chiefs of Staff. Techniques are now available to help judge the military value of various units in relation to their economic cost. But we will never shape our military means efficiently to fit our national purpose until the organization of the staff of the Secretary of Defense and the operating commands reflect military mission and not existing military means.

In the current debate there are two approaches to the problem of adequate defense vs. tolerable cost. One is to fix the level of military expenditures by deciding what the economy and preservation of free institutions can bear, hoping for the best no matter what the relative strengh of Communist military power. The other is to pay the price asked by the present military organization for what it says is necessary for defense.

American taxpayers, who will buy six million new cars this year, are undoubtedly ready to pay the price of peace and freedom by giving up whatever part of their phenomenal material standard is truly necessary. In the last war, the price was readily paid because the American people were convinced the purpose was right and the means were necessary. But today, with every morning newspaper carrying a fresh dispute among military and Congressional leaders about which strategy and which forces are required, how can the people develop any confidence that the price asked is necessary?

Once our people are satisfied that our military objectives are sound, and once they know that our system of military management has been revised so that it can weed out unnecessary components and budget only for what is necessary, then there will be no question about footing the bill. To achieve acceptable security at reasonable cost, we must first have the right strategy and the right structure.

Fifth: THE ANNOUNCEMENT OF POLICY

To avail ourselves of the political opportunities inherent in a military policy of Nuclear Punishment, a Presidential statement of the kind suggested needs to be made after we have the required intelligence capabilities. Military objections to announcement are conceivable if one's point of view stems from a secrecy complex and nuclear ignorance, the reflections of an uninformed nation fearfully trying to exist conventionally when we no longer hold the conventional balance of power. But if we approach world problems with the calm confidence to which our real strength entitled us, with a determination to enforce peace justly in collaboration with allies, with the intent to seek our political objectives through peaceful means, there is every reason for publicizing the Punishment policy aspects of our intentions.

The masterful job that can be done by applying modern technology is adequate to solve most of our intelligence problems in ways far more effective than techniques in use today.

The announcement of Punishment policy would constitute the first realistic restraint on massive use of nuclear bombs. It is a measure without any prejudice to our military position.

It cannot be blocked by Soviet obstructionism, because we can take the step without agreement with the Soviets. Its usefulness does not depend on any confidence in Soviet intentions.

Also, it will be our first official renunciation of total warfare until unconditional surrender since our unfortunate commitment to that concept after the Casablanca Conference. The announcement will bring the sort of limitation on warfare which we want, but not limitations we do not want. One limitation we want is the avoidance of an exchange of counter-city blows with weapons of mass effect. There are two we don't want.

The first to be avoided is any prohibition on the use of atomic weapons unless concurrent with progressive disarmament of all weapons. As noted, the peace is enforceable today because U. S. nuclear superiority outweighs Soviet preponderance in conventional military strength. United States consent to nuclear disarmament without simultaneous disarming of Soviet and Chinese conventional forces would be in effect unilateral disarmament and a suicidal step for the whole Free World. The Free World can raise armies from a population approximating 300 million. The Communists can draw on 700 million. Western Europe holds the balance of steel production. Now our annual tonnage advantage over the Communists is on the order of two to one. With Europe in Communist hands, the ratio would be almost reversed. Yet there exists today a large body of well-intentioned opinion favoring purely atomic disarmament. If we were to renounce the use of nuclear weapons against cities unless ours were first attacked, there would be far less pressure for nuclear disarmament alone.

The second restraint on nuclear warfare which we do not want, but which is politically imposed on us today, is the inability to use nuclear weapons in peripheral warfare. Domestically, this restraint is partially the result of a lack of public understanding of the real nature of nuclear war. We fear what we do not understand. Our officials may believe that we also lack the fortitude to face the issue squarely.

As previously elaborated, military thrusts by overwhelming Communist manpower around the periphery of Europe and particularly Asia cannot be contained by conventional forces of the Free World. But our nuclear plenty and the cheapness of nuclear-equipped forces make it possible to destroy Communist troops in the battle and communications zones at the specific request of Allied nations and in partnership with limited European or Asian ground troops.

Nuclear weapons would have quickly ended aggression in Korea and Indo-China. They could insure the defense of Formosa. Again having in mind General Twining's dictum that "the best way to prevent war is to be able to win," the emphatic threat to use them should be sufficient to deter Soviet, satellite, or Chinese military adventures in Europe or Asia.

As long as atomic warfare continues to conjure in the public mind only images of more Hiroshimas, the Free World is effectively prevented from punishing massed Communist manpower with nuclear weapons. But once we renounce the use of nuclear weapons against cities and adopt a policy of Nuclear Punishment suited to aggressive crime, we shall have taken the key step necessary to lift political restraints on the only effective counterbalance to Communist manpower we possess. After an announcement of restraint in counter-city warfare, we can begin to bring our nuclear plenty to bear in stabilizing the military situation around the globe.

The announcement would not constitute proclamation of a modern Monroe Doctrine. The new policy resembles the Doctrine in that military protection is extended to undefended areas, not the Western Hemisphere in this case but the entire Free World. But there the similarity ends. Under the proposed policy our protection would not be extended unilaterally, but in full partnership with allies.

The universal yearning for peace and the fear of war are so strong that announcement of our change from Massive Retaliation to Punishment policy should have broad appeal throughout the world. On both sides of the Iron Curtain, the spirit of resistance to the Soviets will be heightened by the promise of removing population, cultural and production centers from the stage of any World War III which resistance activities might risk. Captive peoples cannot help but notice our distinction between them and the Kremlin's military instruments. Europeans will be encouraged to positive action by the shielding effect of our nuclear power. They can be freed from their presently paralyzing apprehensions of Soviet atomic attacks on European cities in the event of World War III. The Soviets will thus be denied opportunities for political blackmail now being used with telling effect against European countries who now fear that atomic annihilation awaits them unless they avoid doing anything that might in any way risk World War III—in other words, unless they remain divided, neutral and weak.

Such a demonstration of self-restraint with determination on our part would quiet damaging talk in Europe about our atomic sabre rattling. It would deter movements in Europe and Asia which now believe that nuclear destruction can be avoided only through neutralism. Once convinced that our great strength has been harnessed to serve a morally sound policy, the uncommitted nations may well choose to support more actively the cause of the Free World.

Sixth: THE PURSUIT OF PEACE

X. The Drive for Disarmament

WHILE WE HAVE nuclear plenty and the Soviets have nuclear sufficiency, a policy of Nuclear Punishment can provide adequate security. But what of the next period? How do we enforce the peace when there is a stand-off in counter-city and counter-force strength.

A probable consequence of the present nuclear arms race is that the Soviets will achieve equality in nuclear power. Our present superiority would then no longer tip the balance in our favor. To make the argument clear, let us postulate a not unrealistic situation some years hence. Suppose that the Soviets can dispatch simultaneously several thousand nuclear weapons against our nuclear air installations and cities. Suppose one third explode on target.

In the age of Soviet sufficiency and U. S. plenty it has been suggested that a nuclear detonation on their part would be considered the act of war which would trigger our destruction of his nuclear capability. But this is an inadequate definition of this act of war when we are faced with a thousand bombs simultaneously on target. Suppose we then define an act of war as the instant when they move bombs with nuclear charges aboard aircraft or missiles. Suppose further that we ourselves can detect this instant, or even that the U. N. has ground detection devices at U. S. and Soviet air bases to determine if they are brought together in violation of an international agreement to keep them apart except for pre-announced test purposes. Then loaded bombs might be brought to the delivery vehicles, assembled and probably dispatched before we could get the signal, bring ours together, and fire. Even if we could "draw" as fast as the Soviets, their bombs would be airborne before we could hit their bases. We could

not rely on warning in time to blunt the attack in the USSR. The temptation for us to resort to preventive war before the Soviets achieve equality in nuclear power might be irresistible.

No matter how sophisticated the argument or what the estimate of time when the Soviets will have an equality of nuclear power, the situation remains the same. This generation must achieve world disarmament. A policy of Nuclear Punishment is the necessary prelude to disarmament, but it is no substitute. It merely buys time in which the world can organize disarmament. The better our counter-force capability, the more time we buy.

As a start toward a fresh approach to the disarmament issue, public attention can be drawn to the fact that Nuclear Punishment is in itself a policy of disarmament. It directs our offensive military power to disarm the aggressor in event of armed conflict, and thus it is a step fully consistent with our national purpose. As General Twining has said, "We can now aim directly to disarm an enemy rather than to destroy him as was so often necessary in warfare of the past." But military policy consistent with our disarmament objective is not enough. What of our political moves?

It is well established that a system of free inspection is a necessary pre-condition to disarmament. The Baruch plan for inspection of atomic plants ran aground in 1947 on Soviet dependence upon its Iron Curtain, which turned out to be an untouchable foundation of Kremlin power. Since then, proposals for inspection have been sterile. Possibilities exist, however, in a new concept.

Nuclear bombs in a stockpile can hurt no one. They must be delivered, and the delivery system constitutes the other half of the threat to peace. The means of delivery which can do real harm in the foreseeable future can be observed from the air.

During the last war, the air reconnaissance group I commanded kept count of numbers and types of aircraft on active German bases in a wide area through daily or bi-weekly photographic missions flown four to seven miles up. This is to say nothing of the daily reporting service on anti-aircraft and artillery positions which we provided to the entire First Army, and our reporting on moving targets in the communications zone and sometimes on the sea, which we kept under observation from dawn to dusk. Although unarmed, our losses were lowest among air groups in Europe. When the weather was bad, we sometimes flew under it, but this reduced our coverage. Since that time, various electronic eyes supplement visual and photographic observation, and night and bad-weather reconnaissance is becoming remarkably perceptive.

The factors in this sort of operation remain basically the same today even though the details have altered. Through an aerial surveillance agency of the veto-less Assembly, the United Nations could operate just such a system today over the air installations of nuclear powers. Observations affecting the peace could be publicized.

A precedent for organizing such an agency to serve the U. N. has just been established. On January 13, the Organization of American States requested the United States, a member country, to furnish reconnaissance aircraft for observation of fighting in progress in Costa Rica.

The Assembly might first try to obtain a convention signed by all members which would extend in a new dimension the three or twelve mile sovereignty limitation on national waters. The lower the sovereignty limit, of course, the better. But even twelve miles would present no problem, as British production model aircraft have already been reported flying this high. Regardless of the sovereignty limit, it would be desirable to seek a provision in the convention where the U. N. agency could dispatch an aircraft below 1000 feet, on particular occasions.

How would the U. S. and USSR react to such proposals? We certainly should not object. The Soviets already know much about nuclear air targets in the U. S., through their agents in this country and through our magazines and newspapers. We know far less about targets in the USSR. We would have everything to gain from the operation of such a system.

As for the Soviets, they might or might not sign the convention. If not, and the U. N. majority so voted, the agency could still operate the aerial inspection system over the USSR with negligible losses. Techniques now available enable building vehicles to penetrate air defense systems with a very low probability of detection and interception. When threats to the peace are critical, such losses, if they occur, would be more than justified.

The United Nations might also consider developing surveillance satellites in a high priority program. When they are operating successfully, electronic receivers could be located in the surveillance center of the U. N. Assembly. These satellites, which would circle the world every few hours, would regularly scan all significant areas of the earth.

This course of U. N. action might not be objectionable to the Soviets, because aerial inspection would not disrupt the Iron Curtain controls so vital to a police state. But even if they do not sign the convention, the U. N. Assembly can proceed by majority vote so that inspection need no longer be frustrated by the Soviets.

Although the U. N. General Assembly might thus be able to assume some responsibility for reporting aircraft and missile counts and for warning the world of an impending nuclear air attack, we must also press for ground inspection of major weapons as another phase of U. N. surveillance. Aerial inspection might not be fool-proof enough to enable our agreement to progressive reduction of all major military forces. But it does establish the principle of inspection, and would prepare the way for a fully adequate inspection system. Only then can we proceed with progressive disarmament of all weapons not required for internal police purposes.

It is doubtful if the threat of mass attack by covert delivery is serious. Soviet agents can hardly undertake the delivery of a large number of bombs on target simultaneously. As long as our FBI and local police are alert to this danger, the chance of catching agents and disrupting the operation is good and this makes large scale covert delivery impractical.

The ultimate step in our disarmament drive must be enforcement of disarmament laws on individuals. Realization must first grow in the Free World that sovereignty rests in the individual. Under Free World concepts, it is the free and sovereign individual, and not the state, who delegates power to various levels of government. The only power which the majority of the world's free individuals want to delegate to international authority today is the power to enforce international peace. The world's peoples want to regulate other human activity in their own way through national governments, but the enforcement of peace is an acknowledged matter for world authority. Once armaments are reduced to a certain level, either as the result of international convention or World War III, disarmament can perhaps be enforced by international laws, courts and inspectors with police powers—all concerned with rearmament crimes by individuals. The free individual as the responsible sovereign must incur the punishment for transgression of disarmament laws.

This objective is perhaps unattainable as long as Communist philosophy holds that only the state, and not the individual, is sovereign. But there are many advantages to making detailed plans. We could state that disarmament law enforceable on individuals is one of our basic foreign policy objectives. In psychological warfare its formulation would help rally many uncommitted, neutral, and even captive peoples to the Free World cause.

Acceptance of international disarmament laws enforceable on individuals should also be one of the principal conditions imposed on a defeated enemy. In case of sudden hot war, the decisive phase will be too short to permit formulation of this objective as a war aim then. Articulation of war aims is necessary now if we are to shorten future war by the carrot-and-stick approach.

World disarmament is a key foreign policy objective. After a certain period during which Punishment policy can provide acceptable security, world disarmament becomes a pre-condition to the elimination of fear and growth of freedom. The psychological climate resulting from a future stand-off in nuclear power will some day begin seriously to erode the Western spirit. Punishment policy with the power of technology behind it provides time to organize world disarmament, but cannot serve indefinitely.

XI. The Political Offensive

POLITICAL, diplomatic and propaganda efforts could turn opportunities inherent in a policy of Nuclear Punishment into a peace effort that could be victorious over the Communist drive toward world domination. Here are the opportunities summarized.

An announcement of Punishment policy emphasizing restraints on the use of nuclear power, renunciation of total war, and the nuclear protection available to our military partners, could become the second step in President Eisenhower's "Atoms for Peace" program. We would be placing U. S. nuclear power at the service of the world to enforce the public peace until the world is ready to put adequate inspection and enforcement powers directly into the hands of the U. N. We would be offering a just enforcement service, with the punishments defined beforehand, in partnership with other nations of like mind.

At the same time, we might emphasize that we intend to substitute world development projects for some of the armament programs eliminated by dropping conventional military strategy. The billion dollars budgeted this year to stockpile strategic raw materials for an outmoded mobilization base could finance several major aid programs. We might also allude to a third step in the "Atoms for Peace" program, the gift of a greater portion of our nuclear materials as sources of power in underdeveloped areas, once a world system of enforceable disarmament has been attained.

Through the mechanism of a national referendum, America might approve a proclamation of faith and purpose "in the pursuit of peace," drafted originally by a broad group of public opinion leaders. Coming from the American people as a body, such a proclamation could do much to reassert our moral purpose, bring public understanding of the issues, and overcome some of the damage caused by our postwar spate of errors in understanding the psychology of the world's peoples.

It might begin with a restatement of our spiritual values, our conviction of the equality of all men, and our rejection of domination by force as the means to any real solution of human problems. It might pledge our military strength to the service of world peace, to be used justly under conditions defined by the U. N. General Assembly for disarmament of military forces violating the peace of the world. It might avow our determination to press for disarmament under inspection, and subsequent international armament laws enforceable equally and individually on all men. It might include a pledge to use some of the energy released as national armaments are reduced to improve the lot of our underprivileged fellow men, to provide resources for them to do things for themselves in their way, without economic exploitation by us.

In the United Nations, we might press for a series of conventions "in the pursuit of peace":

A. An agreement signed by each nation to withhold nuclear bombings of population centers, unless weapons of mass effect are used against theirs. A stipulation should be included that nuclear stockpiles and delivery means be located at stipulated distances from cities. Nations which do not comply would not be accorded the protection for civil populations which this convention offers.

B. A convention recognizing the right of a nation and its allies to use nuclear weapons directly against forces of any foreign power violating its territorial rights.

C. Charter revision to provide for U. N. police occupation until elections in event of specifically defined acts of seizure of political power by force.

D. A convention recognizing a vertical dimension of the three mile limit principle, permitting global air inspection by means of reconnaissance under control of an armaments surveillance agency of the General Assembly.

E. A convention permitting supplementary ground inspection of any military installation when in the view of the surveillance agency the world requires additional information in the interests of peace.

F. Continued proposals for progressive reduction in armaments, once inspection conventions are agreed upon.

G. Proposals for international disarmament laws enforceable on individuals, to be submitted for ratification once present arms levels begin to be reduced to police proportions.

H. A convention whereby, once world disarmament is underway, each nation would give a percentage of its present defense budget to a world development fund administered by the U. N.

I. Charter revisions to amend the U. N. composition and structure so that these activities could be carried on under a politically sound and just organization.

There is great hope that, impelled by faith and moral purpose, we can harness the powers of fission and fusion to eliminate use of force while the world develops a system and structure for settling world issues through law and order. But defense policy must first be revised.

XII. The Moral Basis

THE ULTIMATE TEST of military policy is its moral foundation. How do the proposals set forth in this article stand up in the light of American ideals of justice and fair play? Are they based on moral principles sound enough to rally allies as partners in the pursuit of peace and freedom?

There are no experts at moral judgment, and moralizing is often regarded as unbecoming in a military presentation. Readers must themselves judge this article in the context of their own concepts of America's principles. But I should like to state briefly my own convictions.

The central problem of the nuclear age is how to prevent violent conflict in our long-term struggle to stop Communist imperialism and demonstrate the superiority of Western ideals over Communist ideology. To succeed, we must first have an effective system to discourage resort to violence by any nation seeking political gain.

It is now in our power to enforce world peace if, in military cooperation with our allies, we use Nuclear Punishment justly to prevent aggressive crime. I believe it is morally correct to use force to negate force.

When we achieve justly enforced competitive peace, we can reveal the fallacies of Communism in a non-violent climate and nourish the growth of liberty under law.

News YOU Can Use®

IN YOUR PERSONAL PLANNING

24th and N Streets, N.W.
Washington, D. C.

People in a car-buying mood should take stock of the current situation in the auto business. We've done some digging on the subject, got this size-up:

NEW MODELS. Taking the automobile business as a whole, demand for the new '55 models is brisk; sales are running way ahead of the same period last year and the year before. But, looked at area by area, things are spotty. In some places people are snapping up cars, often have to wait as much as 30 days for delivery. In others, dealers are cutting prices to make sales. You'd be wise, before buying, to check around to see whether cash discounts, very liberal trade-ins, or extra-easy credit terms can be had in your locality.

AUTOMOBILE DISCOUNTS. Reports from the Midwest show spots where car dealers are knocking $400 or $500 off list prices--about the same as the top discount on new models last year, when auto sales weren't so booming. In many places you can find better credit terms than the usual one third down, 24 months to pay the remainder; 36 months' time for people who are top credit risks is not uncommon.

"Bootlegging" of new cars on used-car lots remains widespread.

USED CARS. Note that brisk '55 buying has meant heavy trade-ins of older models. Used-car lots are filling up--earlier in the year than normal--and dealers are under pressure to keep up turnover. That suggests the possibility of bargains in secondhand cars.

PRIZE AWARDS. A decision by the Court of Appeals for the Sixth Circuit calls attention to an important change made by the new tax law. The case, which arose under the old rules, involved a husband and wife who won an automobile in a drawing at a dealer's exhibit. The Court held that, since they had done nothing but put their name on an entry blank, the value of the prize was a gift and not income on which they were taxable. Under the new law, however, it would be income. Only prizes in recognition of certain achievements--civic, scientific, or educational, for example--are tax free. Even then there are strings.

RE-ENLISTMENT BONUS. Your boy in the armed forces, or about to go into service needs to get the straight of this: Much confusion exists about a proposal to Congress by the Defense Department that the maximum re-enlistment bonus be upped from the present $1,440 to $2,000. That's the total a serviceman

(over)

would get if he re-enlisted the maximum number of times possible in a lifetime service career--not what he would get for each new sign-up. The latter depends on his base pay, length of service, and the time for which he re-enlists.

SOCIAL SECURITY. Here's a postscript to that item we passed along last week about the effect on Social Security benefit checks of earnings you receive in the part of the year before you retire:

People who wait until after their 65th birthday to apply for Government old-age payments can have benefits paid retroactively for as many as 12 months back. But note a limitation that went into effect January 1. If you earn more than $1,200 in the part of the year before you apply, you cut out a retroactive check for every month in this period in which your earnings topped $80.

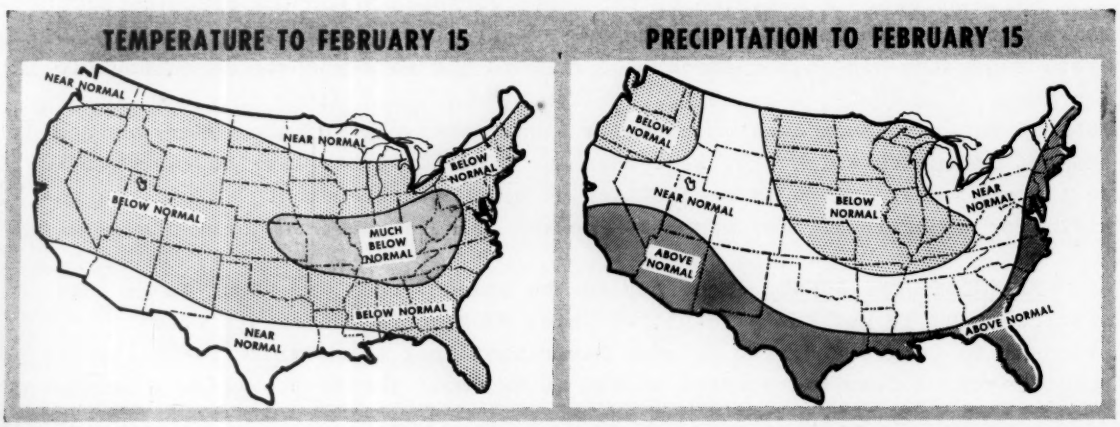
ANNUITIES. Readers ask us where they can get life expectancy tables needed in figuring income tax on annuity payments under the new tax law. The answer: from the nearest district director of Internal Revenue.

RETIREMENT PLANNING. For an enjoyable retirement, your leisure-years income ought to be at least half what it was before you retired. So concludes a New York University expert on the subject. Other points he makes: Successful retirements don't just happen, they have to be planned. If you intend to retire to new surroundings, spend a few vacations there first--and don't buy a home until you've rented for at least a year.

SAVINGS BONDS. Question: If a person buys a U.S. savings bond with his own funds and has it registered in co-ownership with someone else, would there be a gift tax involved? Not at that time. However, should he later allow the person named as co-owner to cash the bond, he would be considered as having made a gift of the then redemption value of the bond. The amount might be subject to a gift tax, depending on whether he had used up the exemptions and exclusions allowed him under gift tax rules.

Income-taxwise, the person cashing the bond reports the interest built up; it isn't split between co-owners, no matter who put up the purchase price.

WEATHER. The Weather Bureau, in its long-range outlook on which these maps are based, sees real winter cold ahead for much of the nation:



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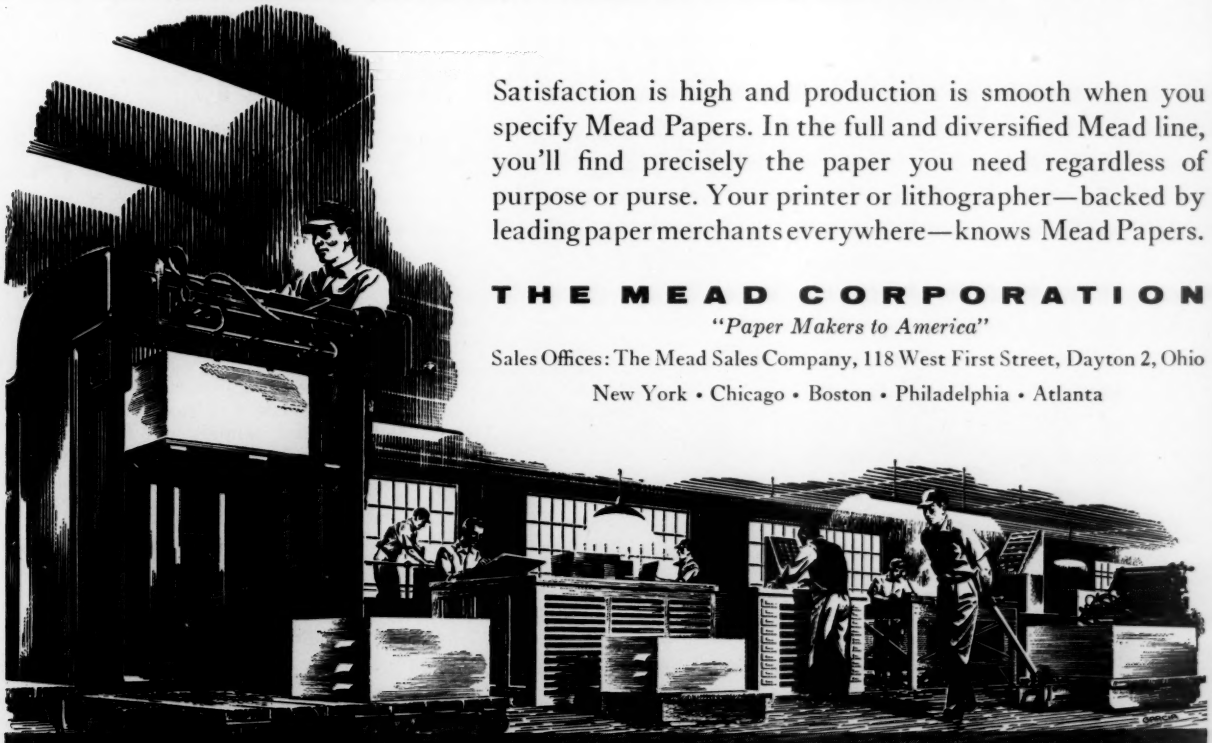

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Special Report

(This article represents the result of an extensive research on a problem of outstanding importance.)

$60-BILLION BUDGET: EISENHOWER'S NEW GOAL

As an economy goal, the President now is aiming at a budget of 60 billion dollars a year, a figure huge except in wartime.

That means most cutting is over. Officials say many costs are near rock bottom. Some are rising. New programs are starting.

President Eisenhower, after many cuts in Government spending, finds his efforts to save money bumping up against the same old troubles President Truman had.

Defense is the Treasury's biggest cost and now is about as low as Mr. Eisenhower feels is safe.

Other big costs, such as interest on the federal debt, farm price supports, veterans' benefits and the postal deficit, are largely beyond his power to control. Thrift in these depends on economic trends or on congressional politics.

The area left for trimming is now seen by officials as a small part of the total. Here the President runs into strong pressures to be liberal—and is giving in to some of them.

The Administration, after cutting old programs, feels compelled to start some new and costly ones.

The result is that the Treasury's books, which Republicans promised to balance, still are 2.4 billion dollars in the red in official forecasts. Mr. Eisenhower says he hopes to cut spending by that much more over the next couple of years. Government cost then would hold at 60 billions a year, almost a fifth lower than in the final Truman year but far higher than many Republicans expected.

A close look at what is going on in Government spending shows even that 60-billion economy goal is hard to reach.

Defense program levels off. The "national security" or defense part of the budget includes not only the U. S. armed forces, but also stockpiling, atomic energy and military aid for allies; it accounts for 65 per cent of the total. Here the cuts, as the chart on this page shows, have been deep already. Getting costs still lower is a great problem.

Since Mr. Truman left office, President Eisenhower has cut spending in the Department of Defense, for the Army, Navy and Air Force, by 9.2 billions. Less money is going for payrolls, for ships, for Army equipment such as tanks, trucks, artillery and ammunition, a trifle more for planes.

HOW BILLIONS ARE BEING SAVED

	Actual spending for year that ended in mid-1953	Spending planned for year that ends in mid-1956	
U.S. ARMED FORCES	$ 43,610,000,000	$ 34,000,000,000	— $ 9,610,000,000
STOCKPILING	$ 919,000,000	$ 783,000,000	— $ 136,000,000
AGRICULTURE	$ 2,936,000,000	$ 2,259,000,000	— $ 677,000,000
POWER, MINING, OTHER RESOURCES	$ 1,358,000,000	$ 953,000,000	— $ 405,000,000
MAIL, AIRLINES, SHIPPING, ETC.	$ 2,076,000,000	$ 1,619,000,000	— $ 457,000,000
HOUSING, SLUM CLEARANCE	$ 550,000,000	$ 83,000,000	— $ 467,000,000
INTEREST	$ 6,583,000,000	$ 6,378,000,000	— $ 205,000,000
OTHER	$ 16,242,000,000	$ 16,333,000,000	+ $ 91,000,000
TOTAL	$ 74,274,000,000	$ 62,408,000,000	— $ 11,866,000,000

Source: The budget of the United States Government

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When you add these same items in the budget, for the year starting July 1, you find an increase of 1.4 billions is in prospect. A saving is promised, however, on the basis of some "unallocated" cuts of 1.75 billions.

What that means is this: Defense officials hope for more cuts, but don't know just where they can be made. One thing they suspect is that output of weapons—and, hence, money paid out for them—will fall behind schedule. Thus, failure in production is being relied on for success in showing further thrift.

Foreign aid is to rise. Foreign aid is proving harder to trim than the Republicans anticipated. In the new budget, this is happening: Military aid is going up faster than economic aid is dropping.

Plans now assume that economic aid has about hit bottom. Countries of Asia and Latin America are seen needing more help. Gifts to foreign governments are expected to decline over the years; loans are to increase.

Stockpiling of materials for defense is costing a record amount, and Mr. Eisenhower hopes to make cuts here in the coming year. In past months he has given in to pressure to help Chile unload surplus copper and to give a kind of price support to U. S. mining of lead, zinc and other metals.

Much of that pressure continues, so that the cuts the President hopes for will be difficult.

All in all, the "national security" part of the budget is indicated as one place where cuts, after the coming fiscal year, are not likely.

After defense, interest on the federal debt is the biggest item in the budget. Here, cost depends on the amount of debt, which Mr. Eisenhower says will increase, and the rates paid on Government securities. Rates are lower now, but are starting to go up.

After interest, the next big cost is help for veterans. For this item, the President foresees "large increases," unless Congress tightens up the law.

Otherwise, more money is to go for special unemployment payments, medical care and pensions. Less money is earmarked to help veterans get an education.

There again is a major part of the budget where the Administration sees no chance of cutting, unless Congress risks irking the veterans' organizations.

Farm cut is a hope. The Government is now spending more than ever on the farm program. Losses on surpluses such as wheat, butter, corn and dried milk are great. Foreign countries get a lot of free farm products, not counted in foreign aid.

This handling of surpluses accounts for more than two thirds of the Government bill for farmers. Here again, Mr. Eisenhower hopes to save in the year

(Continued on page 100)

Trucks ease TV's growing pains as new stations blanket America!

"Truckloads of JFD 'Super-Jet' antennas must reach an area *before* a new channel opens, so TV service-dealers can convert installations for new stations. Shipments must be quick and accurate. In Lafayette, Ind., where UHF channel 59 opened and JFD began sponsoring TV show 'Badge 14', the demand created by the opening and the program

required immediate working stocks for our dealers. Our local distributor specified trucks.

"Since 17,000 antennas roll off our assembly lines daily, routing must be precisely synchronized. Otherwise, we would have backloading on our shipping platforms. Motor carriers did the job for us. We were able to follow through with timed TV advertising and timed station opening when demand exceeded all predictions."

—R. A. Mastrobuoni, *Traffic Manager,* JFD Manufacturing Co., Inc., Brooklyn, N. Y.
"World's largest manufacturer of TV antennas and accessories"

In June 1947 only 8 cities had television and there were only 40,900 television homes in the United States. In June 1954, there were 382 TV stations in 254 cities, and 29,565,759 TV homes!

How did 29½ million rooftops manage to blossom out with TV antennas in so short a time? And how did 29½ million sets find their way into America's living rooms?

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Ike's hope: 400 millions more from postal users . . .

ahead. He will, if crops are smaller and surpluses less heavy. Weather and the farmers' opinion will control.

Other spending for farmers is being increased. The Government will be making more loans for rural power and telephone lines. Farmers will get more for terracing, fertilizer and other "soil conservation." Scientists will have more for farm research.

Money spent on roads, on helping airlines and on navigation will increase in the coming year, according to official plans. This would be balanced off by getting Congress to raise postal rates, a move that has been rejected in the past.

Administration plans would mean a penny more postage on letters, except airmail, and other increases on magazines, newspapers and advertisements. Users would pay about 400 millions a year more for postal service.

—USN&WR Photo

ROWLAND HUGHES
. . . the President's budget chief

The President's big new highway program isn't even in the budget yet. Under advance plans, federal money for roads would increase by 3.2 billions a year between now and 1964.

Less money is being spent to build dams, power plants, power lines and irrigation ditches. But now the Government is bowing to pressure for new projects. Building of the St. Lawrence Seaway is just getting going.

The official plan is to keep down the cost of some water projects by getting local people to share the costs. But this idea is running into opposition, even from Republicans.

The Delaware River is to be deepened above Philadelphia so that heavy ore boats can go to the new steel mill

. . . Sharpest budget cuts in defense funds

near Morrisville, Pa. Part of the money for this should be local, the Administration says; all of it should be federal, according to Senator Edward Martin (Rep.), of Pennsylvania, and others.

The welfare state grows. Welfare costs in the budget are rising almost yearly. More money is to be spent for hospitals and public-health centers and for research.

New funds are being sought from Congress to help private health-insurance companies so that they can take greater risks and give policyholders greater protection. New grants to the States are being proposed to help combat juvenile delinquency.

A new plan to help States and localities build public schools is not yet in the budget, though the President soon will make his proposal.

In other places in the budget, the trend is to let costs increase. More federal money is going for unemployment insurance. Increases are planned for the State Department and Voice of America. Government pay is to be raised.

What you find on the whole is this: The defense part of the budget has been cut sharply since the Korean war ended. Other costs of Government, at present, are not quite 5 per cent lower than they were then. This showing Mr. Eisenhower hopes to improve in the fiscal year that starts July 1.

If all cuts planned for the coming year are realized, the Eisenhower Administration will be spending 11.9 billions a year less than the last year of the Truman term, as the chart shows.

But many of the new cuts are not sure fire. They are based on forecasts, or proposals to Congress that will be fought.

An old complaint. Some Republicans now repeat an argument Democrats used: Most of the budget is essential for national security or is "not readily subject to administrative discretion."

Officials put the "national security" part of the new budget at 40.5 billions, including military aid, stockpiling and atomic energy. They figure items beyond presidential control are an additional 14.8 billions, leaving 7.1 billions that may be trimmed by official action.

To date, the new officials have cut spending more than many people thought likely. But the President's economy goal —a budget of 60 billions a year—is proving hard to reach.

The military section of the budget would be different if a proposed change in basic strategy were adopted. For the proposal, see page 78.

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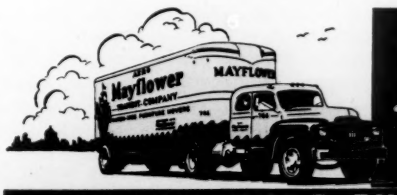

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COMMUNISTS IN GOVERNMENT— THE ISSUE COMES UP AGAIN

The furor over charges of Communists in the State Department is being renewed.

Were any proved Communists actually turned up during the long investigations? Have any been fired out of the Department?

Senator Olin D. Johnston (Dem.), of South Carolina, says one thing. Senator Joseph R. McCarthy (Rep.), of Wisconsin, says another. Both cite a State Department letter on 80 individuals named by Senator McCarthy after his original charges in 1950.

On these pages you get the full text of Senator Johnston's statement, the full text of the State Department's release of a letter to him, and excerpts from the debate that followed in the U. S. Senate.

JOHNSTON: "NOT ONE PROVED A COMMUNIST"

Following is the full text of a statement made Jan. 17, 1955, by Senator Olin D. Johnston (Dem.), of South Carolina:

As chairman of the Committee on Post Office and Civil Service of the United States Senate, I desire to clear up for the benefit of Congress and the public the facts concerning governmental employes as to whether any of them have been found to be Communists or disloyal to our Government under prior or the present so-called Government security programs.

In order to proceed in an orderly manner I thought it desirable to start at the very beginning. The charges of extensive Communism and disloyalty of employes in Government were first made by the junior Senator from Wisconsin [Senator McCarthy] in February, 1950. At that time the Wisconsin Senator is reported to have said: "I hold in my hand the names of 205 members of the Communist Party now employed in the State Department"; and later he said: "I hold in my hand the names of 57 card-carrying Communists now employed in the State Department."

As a result of these charges, the United States Senate directed that an investigation be made. In accordance, a committee was appointed which came to be known as the Tydings Committee. After extensive hearings, in which 3 million words of testimony were taken, the Tydings Committee brought in a report stating, in effect, that the charges made by the junior Senator from Wisconsin had been found to be untrue.

Immediately upon the filing of this report by the Tydings Committee, that Committee was charged with "whitewashing" State Department employes who had been accused by the Wisconsin Senator of being Communists. This situation created confusion in the public mind as to what the real facts were. So in starting my work to clear up the matter of Communism concerning Government employes, I secured from the Committee files the names of the employes of the State Department against whom the Wisconsin Senator had made charges—there being some 80 in number—as well as the names of 10 other individuals whom he had publicly charged. I sent these names to the State Department in December, 1954, and asked the Department to inform me, first, if any of these employes had been found to be Communists or disloyal to our Government.

By letter, the State Department has now informed me that not one of these persons who were investigated by the Tydings Committee in 1950 has been proved to be or found to be a Communist or disloyal to our Government. In that letter to me the State Department stated that three of the persons the Wisconsin Senator had originally charged had resigned or been dropped from the State Department rolls, but that none of these three were found to be Communists or disloyal to our Government. It is, therefore, plain that from the present Republican Administration we have now received word that not one of the State Department employes charged in 1950 and investigated by the Tydings Committee has been found to be a Communist or disloyal to the United States. Coming as this does from the present Administration in Washington, this should clear up any question in the public mind.

The State Department in its letter to me further verifies the findings of the Tydings Committee by stating that, of the 80-odd names given to the Tydings Committee by the Wisconsin Senator as persons then employed, only 40 were in fact employed in the State Department in 1950; 33 had resigned or left the State Department prior to that year, and 7 of the names given to the Tydings Committee by the Wisconsin Senator as employes of the State Department had never been employed by the State Department. The State Department further reports that 12 of the 40 who were working in the State Department in 1950 are still employed in the State Department in 1955 and that 10 others who were working for the State Department in 1950 have been transferred to other United States governmental agencies.

Realizing that the 1950 investigation by the Tydings Committee of the accused State Department employes and the publicity following that investigation has left a great deal of doubt and confusion in the public mind as to the true facts in the case, the letter to me from the State Department, stating that none of the employes have been found to be Communists or disloyal to our Government, should clear up this matter for all time.

It is gratifying to have confirmed that the charges of widespread Communism in the State Department, put

out in 1950 when the Democrats were in control of our National Government, have now been contradicted by the letter to me from the present Republican Administration. I hope in due time to look into charges in other departments and agencies of the Government to ascertain what the facts are in such cases, as I have already done in this case.

STATE DEPARTMENT: "TO BE SPECIFIC—"

Following is the full text of a release made by the State Department Jan. 17, 1955, containing the Department's letter to Senator Olin D. Johnston (Dem.), of South Carolina, and a preliminary statement:

As background for the release of the attached letter to Senator Johnston, the Department notes the following:

Senator Johnston informed the Department on Nov. 24, 1954, that he desired to assemble accurate data as to employes of the State Department who had been proven to be (a) Communists, or (b) disloyal to our Government. Senator Johnston stated that in the course of an investigation, 10 alleged employes of the State Department had been publicly accused as being within one or the other of these categories.

The information in the attached letter contained under the headings "Question Number One" and "Question Number Two" relate to those 10 individuals.

Senator Johnston also stated that in addition to the 10 persons, 80 other alleged employes of the State Department were also accused. In addition to the two questions raised by Senator Johnston concerning the 10 individuals, he asked seven questions concerning the 80 individuals.

The information subsequently set forth under the headings "Question Number One" through "Question Number Seven" relate to the second set of questions concerning the 80 persons.

In keeping with existing presidential directives, none of the individuals listed by Senator Johnston in his inquiry is identified.

Jan. 10, 1955

Dear Senator Johnston:

In response to your letter of Nov. 24, 1954, requesting information with respect to certain previous or present employes of the Department of State, which was acknowledged on Dec. 1, 1954, the following information is transmitted.

Question No. 1: Were these ten (10) persons publicly accused employes of the State Department?

Of the 10 persons referred to, eight were or had been employes of the Department of State and six of these eight were on the rolls of the Department of State during February, 1950. With respect to the remaining two of the 10 in question, they were never on the rolls of the Department of State.

Question No. 2: Who, if any, among these ten (10) have been proved to be (a) Communists, or (b) disloyal to our Government?

You ask if any among these 10 have been proved to be (a) Communists or (b) disloyal to our Government.

As indicated above, two of the 10 charged were never on the rolls of the Department of State.

Of the remaining eight, two resigned; one transferred to another Government agency; the employment of two was terminated at the completion of their assignments; one was removed from the Department under the provisions of Public Law 733 of the 81st Congress (5 U.S.C. 22-1); one was removed after proceedings pursuant to the provisions of Executive Order 9835, as amended by Executive Order 10241, and under authority of section 103 of the Department of State Appropriations Act of 1952 (65 Stat. 575, 581); and one was retired under the provisions of the Foreign Service Act of 1946, as amended, (60 Stat. 999, 1016) when it was found that he did not meet the standards for continued employment in the Foreign Service.

You will note that only two were discharged, one under the provisions of Public Law 733 of the 81st Congress, and one by the Secretary in the exercise of his judgment under section 103 of the 1952 Appropriations Act and solely as the result of a finding by the Loyalty Review Board pursuant to Executive Order 9835, as amended, that there was reasonable doubt as to the loyalty of the employe and as a result of his review of the opinion of that Board.

It should be noted that neither Executive Order 9835, as amended, nor section 103 of the 1952 Appropriations Act, nor Public Law 733 of the 81st Congress requires that it be proved that a person is a Communist before he may be discharged, and no findings to this effect were made in either of the two cases, the findings being made as above noted.

Question No. 1: Who, if any, among these eighty (80) names were employes of the State Department on Feb. 9, 1950? (See tab A and the attached list.)

Question No. 2: Who, if any, among these eighty (80) names were not employes of the Department on Feb. 9, 1950? (See tab A and the attached list.)

Question No. 3: Who, if any, among these eighty (80) names were never employed by the Department on or before Feb. 9, 1950? (See tab A and the attached list.)

Question No. 5: How many of these eighty (80) named persons were working in the State Department on June 1, 1954? (See tab A and the attached list.)

Question No. 6: Who, if any, among these eighty (80) named persons are still working in the State Department? (See tab A and the attached list.)

The list which you obtained from the files of the Senate Investigating Committee which was attached to your letter, sent to the Secretary by messenger on Nov. 24, 1954, is returned to you with notations which answer questions 1, 2, 3, 5, and 6. The attached reference sheet (tab A) explains the symbols used to answer these questions.

Question No. 4: Who, if any, among these eighty (80) named persons have been proved to be (a) Communists or (b) disloyal to the Government of the United States?

In general the answer to this question is the same as that contained in paragraph two of page two, except for the additional provisions of Executive Order 10450. Under the provisions of Executive Order 10450, the Department has the responsibility of separating from the rolls of the Department those persons whose continued employment is deemed to be not clearly consistent with the interests of the national security.

In an effort to be specific, the following information relative to the 80 individuals listed is furnished for your information.

Removed under Public Law 733—2.

Removed for suitability reasons under personnel regulations—1.

Resigned during proceedings instituted against them under the provisions of Executive Order 9835—2.

Resigned during proceedings instituted against them under the provisions of Executive Order 10450–1.

Resigned (other reasons)–32.

Transferred to other agencies–10.

Termination of limited appointments–4.

Separated by reduction in force–8.

Retired–1.

Died–1.

Never employed–7.

Question No. 7: Please also advise whether any employes or former employes in the State Department have been indicted and found guilty, under the above law [Sec. 1209 of Public Law 759, 64 Stat. 595, 765] and, if so, who are they?

I am sure that you know the Department has no responsibility with respect to the enforcement of this law. According to the records of the Department, no present or former employe has been indicted and found guilty under the provisions of Public Law 759, 81st Congress, Second Session, approved Sept. 6, 1950.

I have attempted to make this reply as responsive as possible to the questions you have raised. If the Department can be of any further service to you and the Committee with respect to this matter, we shall be pleased at the opportunity.

Sincerely yours,

For the Secretary of State:

THRUSTON B. MORTON, ASSISTANT SECRETARY

McCARTHY: "NONE WHO RESIGNED WERE CLEARED"

Following are excerpts from debate on the floor of the Senate, Jan. 18, 1955:

Senator McCarthy: I invite the attention of Senators to the ninth paragraph in the letter from the State Department to the Senator from South Carolina, in which the State Department tells him that it has no function to clear people of Communism or to declare that they are Communists.

I read the paragraph:

"It should be noted that neither Executive Order 9835, as amended, nor section 103 of the 1952 Appropriations Act, nor Public Law 733 of the 81st Congress requires that it be proved that a person is a Communist before he may be discharged, and no findings to this effect were made in either of the two cases, the findings being made as above noted."

Therefore, the State Department points out that no findings were made on the question of Communism.

I invite the attention of Senators to the figures given by the State Department. They show that of the 80 named by me, 69 are no longer with the State Department. Two were removed under Public Law 733;

"Removed for suitability reasons under personnel regulations–1.

"Resigned during proceedings instituted against them under the provisions of Executive Order 9835–2.

"Resigned during proceedings instituted against them under the provisions of Executive Order 10450–1."

These are all orders and laws having to do with Communist activities.

"Resigned–32."

The letter does not so state, but I have checked, and find that the 32 were all under investigation at the time they resigned. They were not cleared. They resigned; and when they resigned, the investigations were dropped.

"Transferred to other agencies–10.

"Termination of limited appointments–4.

"Separated by reduction in force–8.

"Retired–1.

"Died–1.

"Never employed–7."

This letter is a complete contradiction of the story that they were all cleared. None of those who resigned were cleared by any agency in the State Department. That is made evident by the letter.

With respect to the item, "Never employed, 7," that includes men like Owen Lattimore, who was not on the State Department payroll, but who, according to the McCarran Committee, was a principal adviser in shaping State Department foreign policy, and, as stated by the Committee, "a conscious articulate agent of the Communist conspiracy." It includes men like William Remington, who was not on the State Department payroll, but on the payroll of the Department of Commerce. He was working closely with the State Department.

° ° °

Senator Johnston: Mr. President, I believe that the letter from the State Department, together with my letter, will show that, of the 80 persons named by the junior Senator from Wisconsin at that time, about 40 were not even working with the State Department. I think it will also be found that a great many of those named are still working for the Government. It will be found that not one of them has been convicted during the intervening years.

° ° °

Senator McCarthy: I invite the Senator's attention to page three of the letter which he received from the State Department, of which I also received a copy. It is shown that 61 have left the State Department. All of them were either under investigation, or formal charges had been filed against them. Thirty-two of them were under investigation, with no formal charges filed. The remainder had charges against them, except 10, who were transferred.

The Senator knows also, when he says that they were cleared, that on page two of the letter the State Department told him very specifically and honestly that under the Executive orders, and under the law in effect, the State Department did not have the function of determining whether or not those persons were Communists. So when the Senator states in an interview–if he was properly quoted–that they were all cleared, that is in complete contradiction of this letter. I think the average is fairly good, when we find that 69 out of 80 have disappeared from the State Department.

Senator Johnston: A great many of them have gone into other departments of the Government.

Mr. Dirksen [Senator Everett M. Dirksen (Rep.), of Illinois]: Mr. President, I listened a few moments ago to the discussion when certain matters were inserted in the [Congressional] *Record* by the Senator from Wisconsin (Mr. McCarthy). I confess my own confusion when I hear these things, because, unless I know the names of the persons and their circumstances, there is no way of making a proper evaluation of the action taken. Would it not be a good idea–and I address this question to my friend from South Carolina (Mr. Johnston)–to ascertain whether the 80 persons named in the *Record* actually did work for the State Department? If they did not, we should know it. If they have been transferred to other agencies of the Government, I should like to know that. But, merely to take a general figure without knowing what the circumstances are, it is impossible for me, and I am confident that it is impossible for the country, to come to a conclusion on the matters which have been in con-

troversy since February of 1945. I should like to see the issue resolved with some finality, and I should like to know who the persons are.

• • •

Senator Johnston: I have 80 names in my possession. I sent the list of 80 names to the State Department. The State Department broke down the list originally named by the Senator from Wisconsin (Mr. McCarthy). About five years ago they were sent to the Committee, first, by numbers. Later, the Committee was given the names in confidence. The State Department, in breaking down the list of names, stated that certain persons named never worked for the State Department and certain others were transferred to other departments. They have been analyzed, and I ask unanimous consent that the information may be printed in the *Record* at this point in my remarks.

There being no objection, the matter was ordered to be printed in the *Record*, as follows:

REFERENCE SHEET

(Explanation of symbols)

1. Employed on February 9, 1950.
2. Not employed on February 9, 1950.
3. Never employed by the Department of State.
4. Employed on June 1, 1954.
5. Presently employed.

SENATOR McCARTHY, LIST OF 81

1. Name deleted, **1, 4, 5.**
2. Name deleted, **1.**
3. Name deleted, **2.**
4. Name deleted, **2.**
5. Name deleted, **2.**
6. Name deleted, **1, 4, 5.**
7. Name deleted, **1.**
8. Name deleted, **2.**
9. Name deleted, **2.**
10. Name deleted, **2.**
11. Name deleted, **2.**
12. Name deleted, **2.**
13. Name deleted, **2.**
14. Name deleted, **2.**
15. Name deleted, **1.**
16. Name deleted, **2.**
17. Name deleted, **2.**
18. Name deleted, **2.**
19. Name deleted, **3.**
20. Name deleted, **3.**
21. Name deleted, **1.**
22. Name deleted, **1.**
23. Name deleted, **1.**
24. Name deleted, **1.**
25. Name deleted, **1.**
26. Name deleted, **1.**
27. Name deleted, **2.**
28. Name deleted, **3.**
29. Name deleted, **3.**
30. Name deleted, **2.**
31. Name deleted, **1.**
32. Name deleted, **1.**
33. Name deleted, **1.**
34. Name deleted, **1.**
35. Name deleted, **2.**
36. Name deleted, **1.**
37. Name deleted, **1.**
38. Name deleted, **1.**
39. Name deleted, **2.**
40. Name deleted, **1, 4.**
41. Name deleted, **1, 4, 5.**
42. Name deleted, **2.**
43. Name deleted, **1, 4, 5.**
44. Name deleted, **2.**
45. Name deleted, **2.**
46. Name deleted, **1.**
47. Name deleted, **1.**
48. Name deleted, **1, 4, 5.**
49. Name deleted, **1, 4, 5.**
50. Name deleted, **1.**
51. Name deleted, **1.**
52. Name deleted, **1, 4, 5.**
53. Name deleted, **2.**
54. Name deleted, **1.**
55. Name deleted, **1, 4, 5.**
56. Name deleted, **1, 4.**
57. Name deleted, **2.**
58. Name deleted, **1, 4, 5.**
59. Name deleted, **1.**
60. Name deleted, **1.**
61. Name deleted, **2.**
62. Name deleted, **2.**
63. Name deleted, **1, 4, 5.**
64. Name deleted, **1.**
65. Name deleted, **1.**
66. Name deleted, **2.**
67. Name deleted, **2.**
68. Name deleted, **1.**
69. Name deleted, **2.**
70. Name deleted, **1.**
71. Name deleted, **2.**
72. No name given.
73. Name deleted, **2.**
74. Name deleted, **2.**
75. Name deleted, **2.**
76. Name deleted, **3.**
77. Name deleted, **1.**
78. Name deleted, **3.**
79. Name deleted, **1, 4, 5.**
80. Name deleted, **3.**
81. Name deleted, **2.**

Names have been deleted in order to protect the individuals involved.

Senator Johnston: My letter to the State Department asked certain questions concerning the matter. Does the Senator from Illinois wish to bring before the public and have published in all the newspapers the names of 80 persons, against very few of whom there is scarcely a scratch? Does the Senator say that the names of all those 80 persons should be made public?

Senator Dirksen: My answer is that if my name were on the list and my integrity and loyalty were impeached time and time again, I should be the first to ask an appropriate agency of the Government to get the file and to submit it to any committee or individual that might have a right to examine it, so that the whole record could be cleared.

It has always seemed phenomenally strange to me that information of this type should be bandied about while people complain either publicly or privately. If they have faith in the integrity of their own case, they should be the first to come to a member of the Senate or to an appropriate committee and to say, "Put the information where all the world can see it."

Elective officers live in a goldfish bowl. Their lives are open books. Should a double standard, a different standard, be applied to those who work for the Government? That would seem strange to me.

Senator Johnston: The Senator from Illinois will find, when he reads the *Record*, the letter which I wrote to the State Department. If that does not give all those persons a clear record, so far as the Government is concerned, I do not know what would. Not one of those 80 persons has been tried and convicted in a period of five years. Why have they not been convicted? We have written into the statutory law of the nation a provision that anyone who draws a salary from the Federal Government and at the same time is a Communist can be tried, and if convicted, can be sent to a federal prison for a term of one year, and fined $1,000. Yet not one person named on the list has been tried.

Senator Dirksen: Mr. President, I may be trespassing on the two-minute limitation on speeches, but I wish to conclude by saying that all the material which has been placed in the *Record* today can be nothing more than a general allegation that persons numbered 1, 16, 48, or 79, have something wrong in their files. Nothing will be proved to the Senate or to the country until we can get down to specific cases. It seems to me that we are still tilting at windmills.

Senator Johnston: If the Senator from Illinois will kindly call the State Department or the President of the United States he will be told that those names cannot be made public. If he can get the President to clear them, they can be made public; otherwise they cannot.

Senator Dirksen: I need only add that I did not raise the issue. However, documents will appear in the Congressional *Record* as of tomorrow morning for the edification and gaiety of the country, and I thought the information ought to be precise and explicit enough to convey some facts which would ultimately resolve the age-old issue.

Senator Johnston: The only thing I did not want to have happen was to have the name of some innocent person read and to have that person's character besmirched when he is as innocent as a new-born babe.

• • •

Senator Dirksen: Mr. President, if I may have 10 seconds more, I should say that if these persons are clean and undefiled, then, of course, they could not be besmirched if their names were printed in the *Record*.

HOW BIG IS THE UNION BUSINESS?

Dues Alone Around 433 Million Dollars a Year

What does it cost a worker to belong to a union? How much money do unions take in from their millions of members each year?

Answers to these and other questions about union finances are given in a new survey reported here.

The amount of money that workers pay for the privilege of belonging to labor unions long has been something of a mystery. Figures from the unions themselves are incomplete. Official Government calculations, too, have been lacking.

Now, some of the mystery is disappearing. For the first time, a complete study of the annual "take" of unions in dues and initiation fees is available. This study was made by the National Industrial Conference Board, a private research organization of business firms. What it shows:

- Union income from dues is found to be in the neighborhood of 433 million dollars a year. This figure may be high, or it may be low, since it is based on union membership claims and assumes that all members pay their dues regularly.
- Dues listed range from $25 a month, the maximum charged by the AFL Air Line Pilots, to 58 cents a month, the minimum set by the independent Federation of Federal Employes.
- The average worker pays $2.28 a month in dues, among the unions that fix a minimum rate to be charged.
- Initiation fees vary widely in amounts. In the CIO Marine Engineers, the locals can fix the fee at anything from $250 on up, but in six unions no initiation fee is charged. The fee is set at $1 by the AFL Building Service Employes. The Railroad Trainmen allow the fee to be set as low as $1.
- About half of the unions put a top limit on the amount that can be charged for initiation fees.

Those are some of the conclusions that can be drawn from the survey, which was based on the fees and dues fixed in the constitutions of the unions. A total of 149 unions supplied constitutions and other information.

The 149 unions reported a total membership of 15,857,359, the major part of the 17 million members claimed by all U. S. unions. The survey covered AFL, CIO and independent unions.

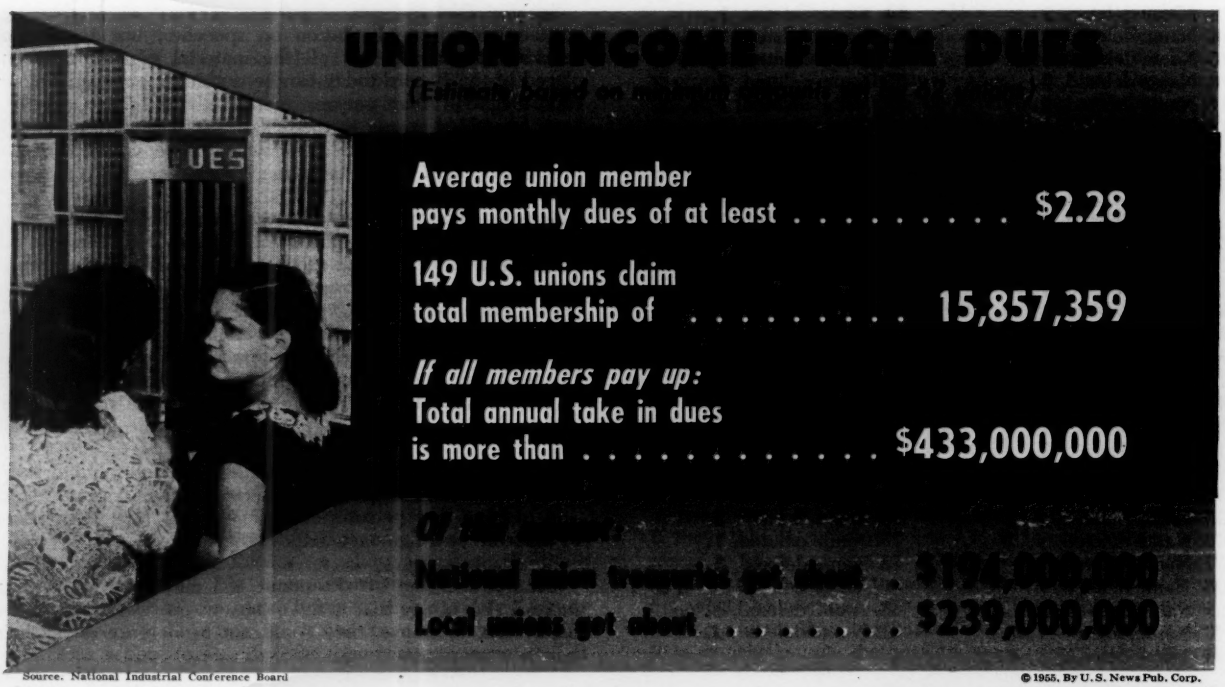
Total dues. Results of the survey did not give the National Industrial Conference Board an exact figure on the amount of dues taken in by all unions, but they did provide an estimate.

This estimate considers only the money coming in from the monthly dues. It does not include the initiation fees, since there is no way of determining how many new members join up in a year. Also, the survey does not touch on assessments levied from time to time by unions, or on income from investments.

The survey finds that 62 unions, through their constitutions, fix either a definite figure on the dues to be paid or set a minimum amount. These unions claim a total membership of 9,458,048. Their average dues payment is given as $27.33 a year, or $2.28 a month.

If this monthly average of $2.28 is applied to the total claimed membership of the 149 unions, their total income seems to be at least $433,383,207 a year. The report, however, says that this may be too high since some unions pad their

(Continued on page 108)


UNION INCOME FROM DUES
Average union member
pays monthly dues of at least $2.28
149 U.S. unions claim
total membership of 15,857,359
If all members pay up:
Total annual take in dues
is more than $433,000,000
Local unions get about $239,000,000

Source: National Industrial Conference Board

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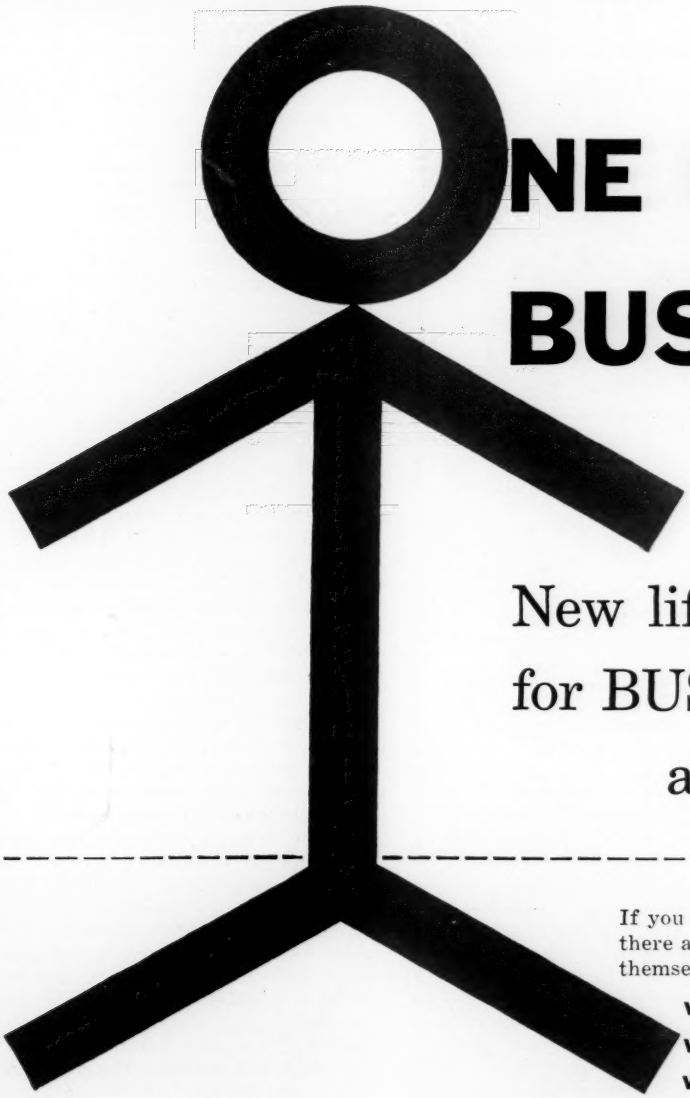
NEWS for those who run



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What It Costs to Belong to a Union

UNION	INITIATION FEE	MONTHLY DUES
Air Line Pilots, AFL	$25 to $200	$5 to $25
Auto Workers, CIO	$5 to $15	$2.50 up
Boilermakers, AFL	$10 to $100	$2.75 up
Bricklayers, AFL	$25 to $150	can vary
Building Service Employes, AFL	$1	$2 up
Carpenters, AFL	$10 up	$1.25 up
Clothing Workers, CIO	$10 maximum	set by locals
Communications Workers, CIO	$2 to $5	can vary
Electrical Workers, CIO	$2 to $10	$2.50 up
Electrical Workers, AFL	set by locals	$4 up
Elevator Constructors, AFL	$200	set by locals
Ladies Garment Workers, AFL	set by locals	$1.60 up
Glass Workers, CIO	$2	1% of wages
Hod Carriers, Laborers, AFL	$5 to $50	$1 up
Hotel, Restaurant Employes, AFL	$3.50 to $25	$2.50 up
Machinists, AFL	$5 up	$2 up
Marine Engineers, CIO	$250 up	$5 up
Meat Cutters, AFL	$5 up	75 cents up
United Mine Workers, Ind.	$50	$4 up
Musicians, AFL	$50 maximum	set by locals
Plumbers, AFL	$20 up	$2.25 up
American Radio Assn., CIO	$100	$10 to $16.66
Railroad Trainmen, Ind.	$1 up	set by locals
Railway, Steamship Clerks, AFL	$7.50 up	$2 up
Rubber Workers, CIO	can vary	$2 to $3.50
Steelworkers, CIO	$5	$3
Teamsters, AFL	set by locals	$3 up
Textile Workers, CIO	$5 maximum	$3 up
Woodworkers, CIO	$5 up	$2 up

Union constitutions give local unions right to fix fees and dues in some cases. Lower rates are set in some unions for apprentices, and for members not covered by insurance plans of unions, or in new locals.

Source: National Industrial Conference Board

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membership claims and many members do not pay dues each month.

On the other hand, the report states that the figure may be too low, because it represents the average minimum dues fixed in the constitutions. Many local unions charge more than these minimum figures. Also, many of the unions that do not list a minimum figure in their constitutions are craft unions that have relatively high rates for dues.

Leeway for locals. The survey shows that only 16 unions fix definite dues figures in their constitutions. These range from $1 a month to $7.50. Seven other unions specify definite rates depending on the type of membership, such as the degree of skill involved in the job.

Then, two unions peg their dues rate at 1 per cent of earnings and three others have a sliding scale based on earnings.

For example, the dues for the Air Line Pilots union range from $5 a month to $25, depending on the earnings of the member. The two unions charging 1 per cent of earnings are the CIO Glass Workers and AFL Flint Glass Workers.

For the most part, however, each local union votes on the amount to be assessed in dues. In 10 unions, the constitution fixes both the top and bottom figures. In 44 cases, only the minimum is fixed; in five, the maximum.

A dues rate of $2 a month is found to be the minimum fixed most frequently by the constitutions. Twenty out of 54 unions specify that amount as the floor. The most popular maximum listed is $5 a month, found in six of the 15 constitutions that carry ceiling figures.

Beyond those cases are the 35 unions that put no limits on the rate to be fixed by the local unions. There are other cases where the dues rate is changed by convention action or by executive-board decision from time to time, or where provisions are too complex to be classified.

National head tax. The dues money is collected by the local unions in nearly all instances. Most of it stays with the local for its expenses. However, part of it must be passed on to the national headquarters of the union.

The survey finds that union constitutions are more definite about the amount of money to be forwarded to the national office than on maximum dues that can be charged. Seventy-eight constitutions, covering a claimed membership of more than 12 million, specify the amount to be forwarded, the "per capita tax" or head tax.

The average "tax" is found to be $12.27 a year among these 78 unions. If this rate is applied to the total claimed membership of the 149 unions, the total income runs to $194,498,436 a year. The report states that this estimate appar-

ently is too high since the membership claim is high and some local unions do not pay on their entire strength.

But the estimates indicate that most of the 433 million dollars taken in by the locals in dues remains with the locals.

Initiation fees vary. The survey also reports that local unions have considerable leeway in setting the initiation fees charged new members. The exact amount to be charged is specified in only 32 of the 149 constitutions.

In 28 unions, a single fee is fixed, with $5 being the most frequent rate. Four unions specify two or more amounts as initiation fees. For example, a craft union may have a lower rate for an apprentice than for a skilled worker.

Thirty-eight unions fix a top limit on initiation charges. Ten of them put it at $10. Six name a $15 top, while six others fix it at $25. One union charges a flat $250 initiation fee: the Friendly Society of Engravers and Sketchmakers, an independent union of 525 members.

Two other unions levy a fee based on the pay rate of the new member. This fee can go as high as $200 for a new member of the Air Line Pilots, if he is in the top pay bracket, the report states.

In 54 unions, the constitution fixes the minimum fee for new members. For example, the AFL Masters, Mates and Pilots, according to the survey, starts its fees at $200, with no top limit named.

On the other hand, the constitutions of six unions specify that no initiation fee is to be levied by the local affiliates. These unions include three groups of postal employes: AFL Post Office Clerks, independent District Postmasters, and independent Post Office Motor Vehicle Employes.

The report, compiled by James J. Bambrick, Jr., and George Haas, points out that the larger industrial unions tend to have lower initiation charges than the small craft organizations. Some of the initiation fees and dues charges from the report are shown in the chart on page 108.

The study covers 81 unions in the AFL, 25 in the CIO and 43 that are not affiliated with either organization.

Many of the high initiation fees charged by unions do not appear in the report of the Conference Board, because they occur where union constitutions do not place a limit on the amounts. The report makes no effort to go beyond the charges listed in the constitutions. Every few years the CIO issues a list of initiation fees and dues charged by its national unions, but no similar report is made public by the AFL.

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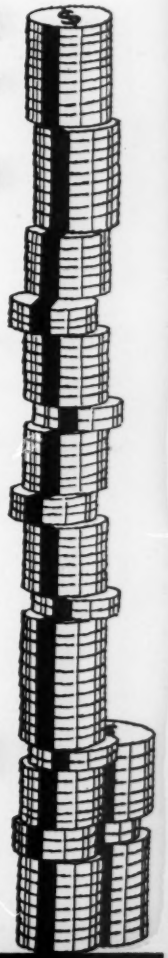

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We've Been Asked:

ABOUT FINANCING ROAD PLAN

- An ambitious plan for building many miles of highways over the next 10 years is raising questions of how this program should be financed.
- Detailed proposals on ways to pay for the new construction are offered by a special advisory group set up by the President to study the problem.

There's talk of spending 101 billion dollars for highways in the next 10 years. Where's all that money coming from?

It would come partly from the Federal Government and partly from the States, with the Federal Government putting up about 30 per cent of the cost over a period of 10 years.

Would that mean more taxes to pay the federal share?

No, not under the plan drawn up by a special presidential advisory committee on highways. The Government's share would be met partly by a bond issue and partly by the federal gasoline tax. These expenditures would not be shown as budget items, and no increase in the gasoline tax or other taxes would be needed, as the plan is being presented.

Would you have to pay tolls to drive over these roads?

On some of them, but not all. Over the 40,000 miles of interstate superhighways involved in the program, the planners figure perhaps one fifth would be subject to tolls. But some auto-association groups say that the States would be encouraged to build at least this amount of toll roads under the program.

How would the highway bonds be handled?

They would be issued over a 10-year period by a new federal highway agency, with maturity dates ranging from 11 to 22 years. The plan calls for a total of about 20 billion dollars in bonds, to be paid off over a period of 30 years. The bonds would be bought by individuals as well as by commercial banks. An interest rate of 3 per cent is suggested, but some financial circles think the interest would have to be higher.

How would the bonds be paid off?

Actually, the money to pay off the principal and interest on the bonds would be appropriated by Congress. But the advisory committee figures that this cost would be offset entirely, over a period of 30 years, by increasing revenue from the federal gasoline tax, which would remain at 2 cents a gallon. Interest on the bonds during the 30 years is estimated as 11.5 billion dollars.

Must Congress approve the program?

Yes, and there is certain to be a fight over some phases of the plan. Members of Congress will have a recommendation from the President including many of the proposals of the advisory committee. Some members of Congress object to methods of financing the highways.

Would all federal money for roads go into superhighways?

Not all of it, but a large part of it would. A part of the plan calls for building or modernizing a national network of 40,000 miles of superhighways, part of which already exists. This interstate system over a period of 10 years would cost 27 billion dollars. The Federal Government would pay 25 billion of this amount, some of which would be used to reimburse States for part of the cost of links already built by the States. Some Western and Midwestern States say this would work in favor of Eastern States, where more interstate links have been completed by the States and largely paid for. There will be a fight on this.

Will federal aid continue for other State roads?

Yes. The Government will continue to make grants to States for road building outside the interstate system on a matching basis, probably on the present 60-40 ratio, with the Government paying the larger share. The plan calls for federal grants of 623 millions a year for this program. This money would come from the federal tax on gasoline.

In addition, States would be able to collect money from the Government for road building within the interstate network. Where these connecting links already have been completed, the Federal Government would reimburse States for from 40 to 70 per cent of the cost. On future highway construction within the interstate system, the States could collect up to 100 per cent of the cost. It is this arrangement, some groups fear, that might lead States to increase greatly the building of toll roads.

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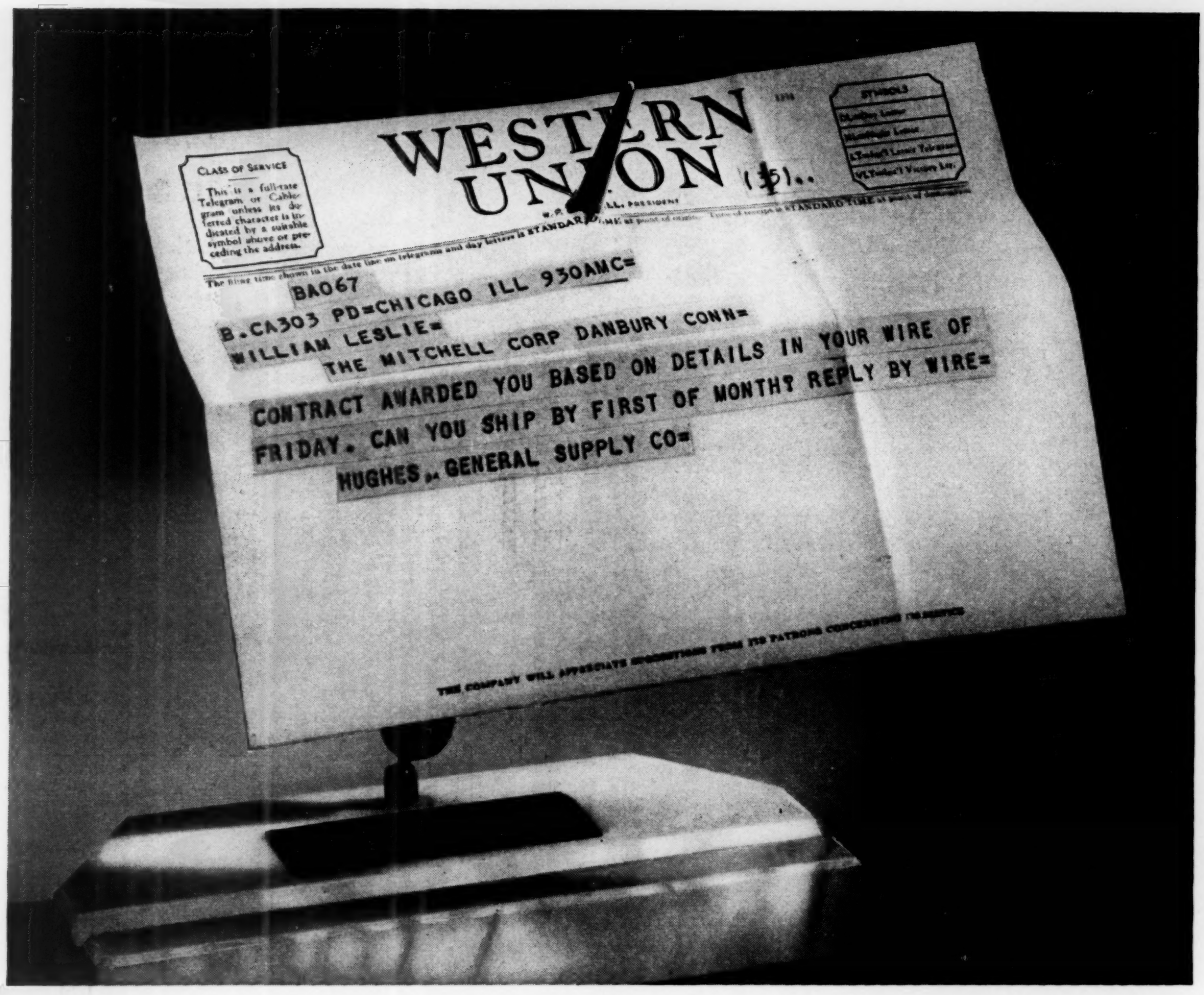
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LIFE AROUND THE WORLD®

memo

FROM EUROPE

WHAT A WINTER!

LONDON—Europe is getting its worst winter in years, and it has people really worried.

At a time when the U. S. has enjoyed a comparatively mild winter, one storm after another has howled in from the Atlantic to buffet most of Europe. Headlines tell of 12-foot snowdrifts in Britain, floods in Paris and Bonn, mountain avalanches in Switzerland and Austria, and gales in Italy. Ships have been in trouble everywhere.

You hear many Europeans say that there is more to these storms than meets the eye. They wonder if the H-bomb tests conducted by the United States in the Pacific caused a world-wide shift in weather. Some think that the world is entering a new weather "cycle"—with Europe moving toward another Ice Age.

The weather, and talk about it, has a definite effect on people's nerves. Just the other day, a near panic occurred on London's normally staid streets when the city was blacked out at midday by unusually heavy "smog." Darkness lasted only 10 minutes, but it was enough to send some Englishmen to their knees, praying.

Any way you look at it, Europe's weather is "unusual"—and it goes back as far as last summer.

At that time, unseasonal chill dampened holiday spirits in Paris. The Danube flooded, going on one of its worst rampages in history. Snow fell in the uplands of Central Europe. Wales had its wettest year since 1872, and Londoners were startled by a tornado that lifted the roof from a subway station.

Autumn produced more foul weather—but nothing to compare with that now endured by people throughout Northern Europe, especially since New Year's Day.

Thousands marooned. Britain's heaviest snowfall since 1947 blocked railroads and highways. Greyhounds raced up to their knees in snow at London's Wandsworth Stadium. Military aircraft dropped food to thousands of snowbound Highlanders in Northern Scotland.

Europe's historic rivers have seldom been as flooded as now. In Paris, the Seine rolled to its highest crest in 10 years, flooding waterside quays. The Thames poured over London's embankments. The Rhine, bursting its banks near Bonn, lapped at the doorsteps of West Germany's Parliament, and at U. S. headquarters.

At sea, it is much the same story of hardship—and sometimes disaster. Ships

(Continued on page 114)

IN LONDON: SMOG . . .

. . . AND SNOW UNDERFOOT

–Black Star, United Press

Also, floods in Paris; gales in Italy

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memo

. . . Air-current "trough" blamed for bad weather

have been wrecked in heavy seas off Belgium, Spain and Italy. Dozens of other vessels, from the Baltic to the Mediterranean, have had trouble in reaching port through gales that exceeded 100 miles per hour in velocity.

Winter storms, so far, have cost nearly 200 lives and tens of millions of dollars' worth of property damage. And Europe's weather experts promise no immediate relief for winter-weary people.

They insist, however, that the weather is not nearly as abnormal as it seems to most people. The experts' view is that foul weather goes on all the time, at some place or other around the globe.

U. S. to shiver in '56? Meteorologists see no reason why it won't be the U. S. that shivers next year while Europe basks in a mild winter.

These experts say that Europe's weather troubles can be traced to a "trough" or depression in the upper air currents in this part of the world. That "trough" creates pressure on the atmosphere below and sets off the storms over Europe.

Until the flow of air in the stratosphere gets straightened out, Europeans are expected to have weather troubles. And at any time a similar "trough" could make life equally miserable in the United States—if one formed in that part of the globe.

The H-bomb, scientists insist, has not a thing to do with it.

Reassurances from scientists, however, do not quiet the worries of many Europeans that a "new cycle" of bad weather has set in—possibly caused by the H-bomb explosion in the Pacific last spring.

"No wonder the weather's gone all wrong, the way they're messing up the atmosphere," is the way many Britons look at it.

Study of H-bomb. Not only scientists, but politicians such as Sir Winston Churchill, ridicule the idea that the nuclear tests in the Pacific caused the freakish weather of recent months. Yet popular concern over the possibility has forced the World Meteorological Organization in Geneva to make a study of the H-bomb's effect on weather.

Many people in Britain and on the Continent expect that study, when published, to confirm their worst fears. And even if it doesn't, Europeans will find it hard to get over the feeling that something has gone wrong with their weather.

Great Wall of China, completed during the reign of Emperor Ch'in Shih Huang Ti, about 210 B. C.

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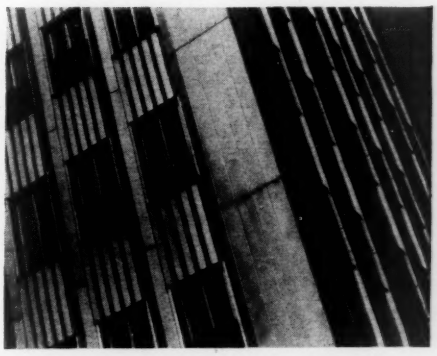

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MORE ON PEARL HARBOR STORY

Statements From Three Participants Who Want to Set Record Straight

MR. SONNETT OBJECTS TO THE "KIMMEL STORY"

The Pearl Harbor controversy continues. In its issue of Dec. 10, 1954, "U. S. News & World Report" published portions of a book by Adm. Husband E. Kimmel, who commanded the Pacific Fleet at the time of Pearl Harbor, in which he defended the action he took prior to the outbreak of World War II. Following is a statement by John F. Sonnett, who was a lieutenant commander and who assisted Adm. H. Kent Hewitt in one of the investigations that followed the Dec. 7 attack by the Japanese, in which he takes issue with Admiral Kimmel:

This statement concerns the excerpts you published in your December 10th issue, from "Admiral Kimmel's Own Story of Pearl Harbor," and in particular the following excerpt:

"Thus once more an Admiral was found who was willing to conduct a star chamber investigation from which I was excluded and to arrive at findings on my official conduct without permitting me to defend myself or to know what evidence he had received. Like the Roberts Commission everything was secret. I gathered that Mr. Sonnett in effect conducted the investigation. *Captain Safford testified that Mr. Sonnett had attempted to intimidate him and finally to convince Safford that he, Safford, suffered hallucinations. Some witnesses who testified before the Hewitt board changed the testimony they had previously sworn to.*"

In *United States News*, February 15, 1946, pages 21-23, when your magazine first published Safford's testimony a very different account was given. Among other things, you summarized the testimony as follows:

"Safford charges. In response to questions by Committee members, Captain Safford has made a series of charges against high officials of the Army and Navy. He asserted that the Navy Department gave verbal orders to communications officers to 'keep their mouths shut' and destroy any notes they had regarding the Pearl Harbor week end. He said there is 'evidence of conspiracy' between the War and Navy departments to destroy all copies of the winds message. At one time, he named General of the Army George C. Marshall, then Chief of Staff, and Admiral Harold R. Stark, then Chief of Naval Operations, as suspects in such destruction, but later retracted his charges against these men as individuals. All the intercepted message files from the four East Coast radio receiving stations, he declared, are missing. He accused former Lieut. Commander John Sonnett, who assisted Admiral Hewitt and who is now an Assistant Attorney General, of suggesting that he was 'subject to hallucinations' and of trying to persuade him to change his testimony.

° ° °

"Safford admissions. In the hearings, Mr. Richardson and several members of the Committee have showed plainly they doubt Captain Safford's story. They brought out that twice previously he had testified that the winds message received on December 3, whereas now he gives the date as December 4. In the Hewitt investigation, he said Lieut. Commander (then Lieut.) A. A. Murray, one of the 'watch officers,' showed him the message, whereas now he says Captain Kramer brought it to him. Before, he said Lieut. Commander (then Lieut.) F. M. Brotherhood was on watch, whereas now he says it was Lieut. Commander Murray. He testified in a previous investigation that he did not know what station intercepted the message. Now, he says he knows Cheltenham received it, because the others did not get it and he is certain it came in.

"In a letter written in code to Captain Kramer late in 1943, Captain Safford admitted that his memory was bad as to details, and he had forgotten or was 'very vague' as to certain things. Although he was certain that war would break out on December 6 or 7, he left his office at 4:30 p.m., Saturday, December 6, and did not return until 8 a.m., December 8. At 2 p.m., December 7, when the attack came, he was in his pajamas, eating breakfast.

"Captain Safford said in the current hearings that he had been 'plotting and planning' for more than a year to clear Admiral Kimmel, and admitted that he had gone 'far beyond the scope of anything dreamt of' for his function as communications officer. He conceded that he had violated Navy regulations in writing to Captain Kramer in code, but later said he knew of no specific regulation prohibiting what he had done. He also admitted that if his letter had fallen into the hands of the Japanese, they would have found out that the U. S. had broken their code.

"After naming 24 Army and Navy officers who 'knew' about the winds message, he said he had no direct knowledge that they actually saw it.

"The case of Mr. Sonnett. The charges made by Captain Safford against Mr. Sonnett have been denied by the latter in a statement issued in reply. Mr. Sonnett said: 'There was no effort at any time on the part of myself or anyone else concerned with the Pearl Harbor investigation, which was conducted at the orders of the Secretary of the Navy, to get Captain Safford or any other witness to change his testimony at any time.

" 'I was instructed by the Secretary of the Navy to secure all of the facts concerning the "winds message" in order to clear up the apparent mystery as to that message about which there had been so much rumor. I discovered that Captain Safford was the source of the erroneous rumors concerning the existence of such a message . . . It should be borne in mind that, of the many people named by Captain Safford in previous testimony as having knowledge of the "winds" message, not a single one recalled the existence of such a message. It is impossible to believe that all those witnesses could be wrong.'

"On the other side. Many points have been made in refutation of Captain Safford's testimony by Committee members and by Captain Kramer, who followed him as a witness. . . ."

I think you must agree that there are great and important differences between the factual report you made in this matter at the time it happened, and Admiral Kimmel's version. Captain Safford's testimony was promptly and thoroughly discredited, as your 1946 account reported and as the subsequent Majority and Minority Congressional Committee reports both indicated.

Admiral Kimmel's book is a belated attempt to refute the adverse findings which the Joint Congressional Committee made as to him after an exhaustive investigation, which included his own testimony. Plainly his present attempt must also fail. It is simply a slanted approach to some of the evidence which was in fact fully considered by the Joint Congressional Committee.

ADMIRAL KIMMEL'S REPLY TO THE SONNETT STATEMENT

Following is a statement by Admiral Kimmel in answer to Mr. Sonnett:

Mr. Sonnett's statement of December 22nd directed to your recent publication of excerpts from "Admiral Kimmel's Own Story of Pearl Harbor" contains no denial of the following statements made in my book:

1. That the Hewitt investigation was a star chamber investigation from which I was excluded.
2. That the Hewitt investigation purported to arrive at findings as to my official conduct without permitting me to defend myself or to know what evidence had been received.
3. That Mr. Sonnett in effect conducted the investigation.
4. That Captain Safford claimed that Mr. Sonnett sought to convince him that he, Safford, suffered hallucinations.
5. That witnesses testifying before the Hewitt board changed the testimony they had previously sworn to.

Instead of squarely and directly meeting these issues, Mr. Sonnett incorporated reference to statements of his and others appearing in your magazine of February 15, 1946. One of Mr. Sonnett's statements as of that date reveals very clearly the frame of mind with which he approached the secret Hewitt inquiry. Says Mr. Sonnett: "I discovered that Captain Safford was the source of the *erroneous rumors* concerning the existence of such a message," (the so-called Execute of the Winds message).

At the time Mr. Sonnett commenced the Hewitt investigation, evidence on the subject of the Execute of the Winds Message had gone very far beyond the realm of "erroneous rumor." Captain Safford was by no means alone in his testimony. Evidence supporting his version of the facts was available in the testimony of Captain Kramer before the Navy Court; in the testimony of Admiral Turner before the same tribunal; and in the testimony of Admiral Royal Ingersoll, deputy to Admiral Stark, before the Hart Inquiry, on the subject of the Execute of the Winds message. Both the Army Board of Investigation and the Navy Court of Inquiry had found that there was an Execute of the Winds message on the basis of a great deal more evidence than Captain Safford's testimony alone.

It was unfortunate, therefore, that Mr. Sonnett, as counsel assigned to assist in the Hewitt inquiry, should have proceeded on the basis that he was dealing with "erroneous rumors" on this subject. It was more unfortunate that the interested parties before the Navy Court did not have an opportunity to attend his examination of witnesses and participate in their examination and cross-examination.

These normal safeguards of civil and military justice have centuries of sound tradition behind them and I am advised that, in general, members of Mr. Sonnett's profession are loath to see them abandoned. Captain Safford's credibility was unimpaired by Mr. Sonnett's efforts and, a few days after he had completed his testimony before the Congressional Committee, Captain Safford was presented with the Navy Department's Legion of Merit medal.

The proceedings of the Navy Court of Inquiry and the Army Board of Investigation had not been published when *U. S. News & World Report* published on February 15, 1946, the matter which Mr. Sonnett quotes. My recollection is that these proceedings as well as those of the Hart and Hewitt Inquiries were published only in the last days of the Congressional Investigation and were not available for distribution until well along in the summer. The press had no way of knowing what previous testimony on the subject of the "Winds Execute" had been recorded nor what findings the Navy Court of Inquiry or the Army Board of Investigation had made on this subject.

ADMIRAL THEOBALD REPLIES ON THE KITTREDGE ARTICLE

In "The Final Secret of Pearl Harbor," which appeared in "U. S. News & World Report" on April 2, 1954, Rear Adm. Robert A. Theobald charged that President Roosevelt deliberately invited the Japanese attack upon Pearl Harbor. On Dec. 3, 1954, "U. S. News & World Report" printed an article by Capt. T. B. Kittredge (USNR, Ret.) which took issue with this thesis. Following is a statement by Admiral Theobald in answer to the article by Captain Kittredge:

In his book, "United States Defense Policy and Strategy; 1941," Captain Kittredge dwells at length on the strategic thinking and planning in Washington during that year, but he neglects almost entirely the execution of that strategy. And, the crux of the Pearl Harbor story lies in the field of execution. In this field, the Captain becomes more of a special pleader than an historian, one who either discards facts unfavorable to his purpose or minimizes their implications so that their true significance will escape most of his readers. The following examples illustrate the Captain's use of this technique.

He devotes no space to the outstanding feature of the naval strategy for 1941 and the alleged reason behind that feature—the holding of the Pacific Fleet in the exposed waters of Hawaii to deter Japan, said President Roosevelt, from aggression in the Far East. That Fleet was over 4,500 miles from the sea route from Japan to the South China Sea, and far too weak to think of entering Japanese-controlled waters in times of acute tension.

In March, 1941, that Fleet was further weakened by the transfer to the Atlantic of an aircraft carrier, 3 battleships, 4 cruisers, and 18 destroyers. That eliminated the last vestige of reason for holding the remainder of that Fleet in the exposed mid-Pacific position—the only tenable explanation is that President Roosevelt was inviting the Japs to follow their invariable practice for initiating their wars by delivering a surprise attack upon that Fleet.

Knowing definitely on November 28th (facts developed later herein) that war was at hand, the Navy Department should then have issued the Mobilization Order, a vital feature of preparations for war, without which the individual ships were totally unready for battle. This would have required the Pacific Fleet units to proceed to the West Coast bases to execute the order.

How can the Captain write on the strategy of 1941, and avoid facing the implications of this whole situation? What are his arguments to support President Roosevelt's idea that the weak Fleet in Hawaii could deter Jap aggression? What reason would the Captain give to explain the retention of the Fleet in the mid-Pacific after March, 1941? How would he explain Admiral Stark's failure [Adm. Harold R. Stark was

Chief of Naval Operations] to issue the Mobilization Order on November 28th?

The Captain avoids all discussion of the Washington denial of all the vital information to the Hawaiian Commanders on December 6th and 7th, by dismissing the whole matter because, he said, so much had already been written about the events of those two days. And yet, the Pilot Message [from Tokyo officials to Japanese Ambassadors Kurusu and Nomura in Washington] told official Washington, at 3:00 p.m. on that Saturday, that the declaration of war was about to arrive and that its delivery to our Government was to be especially timed, obviously to synchronize with the surprise attack with which Japan would initiate the war.

And, the next day was Sunday, the day of the week which it had been expected that the Japs would choose for that attack. Three other vitally important Jap messages came in that night and early the next morning. One would expect that the Captain would have a greater sense of his responsibility as an historian than to thus dismiss these vital pages in the Pearl Harbor story with nothing more than a metaphorical wave of the hand.

The Japanese dispatch of September 24th, ordering the Consulate in Honolulu to report the exact berthing of the Pacific Fleet in land-locked Pearl Harbor, is quickly dismissed because, says the Captain, the Japs in 1946 said they made no use of this information in their plans for the Pearl Harbor attack. The importance of this dispatch to the Pearl Harbor story lies in its implications and the effects it had upon the Washington High Command thinking between early October and December 7, 1941. How naïve can the Captain's presentation become?

He mentions the deadline date more than once but merely as the date set for the successful conclusion of the Washington negotiations. In one place he does italicize the words, "automatically going to happen," but I could find no explanation of the exact military significance of the words taken in connection with the deadline date. He talks of continuing negotiations after November 28, and never tells his readers that this was mere pretense on the Japs' part and what the purpose of that pretense was—to provide the shroud of secrecy needed for the surprise attack which was scheduled to occur after the passing of that deadline date.

The Captain's handling of the U. S. note to Japan, dated November 26th, is most significant. Nowhere in his book do the terms of that note appear, and these would clearly tell the reader how surely that note had ended all chance of further negotiation. Instead, the reader is given the distinct impression that Secretary Hull gave the War and Navy Departments only a very hazy idea of what the note had said. This presentation completely ignores the fact that the Japanese Ambassadors made a verbatim report of its terms to Tokyo in their November 26th dispatch No. 1189, and the decode of that dispatch was distributed to all authorized U. S. recipients on November 28th. On that same day, through the same channels of information, all those recipients also knew, from the Tokyo reply, dispatch No. 844, that the note had ended all effective negotiation.

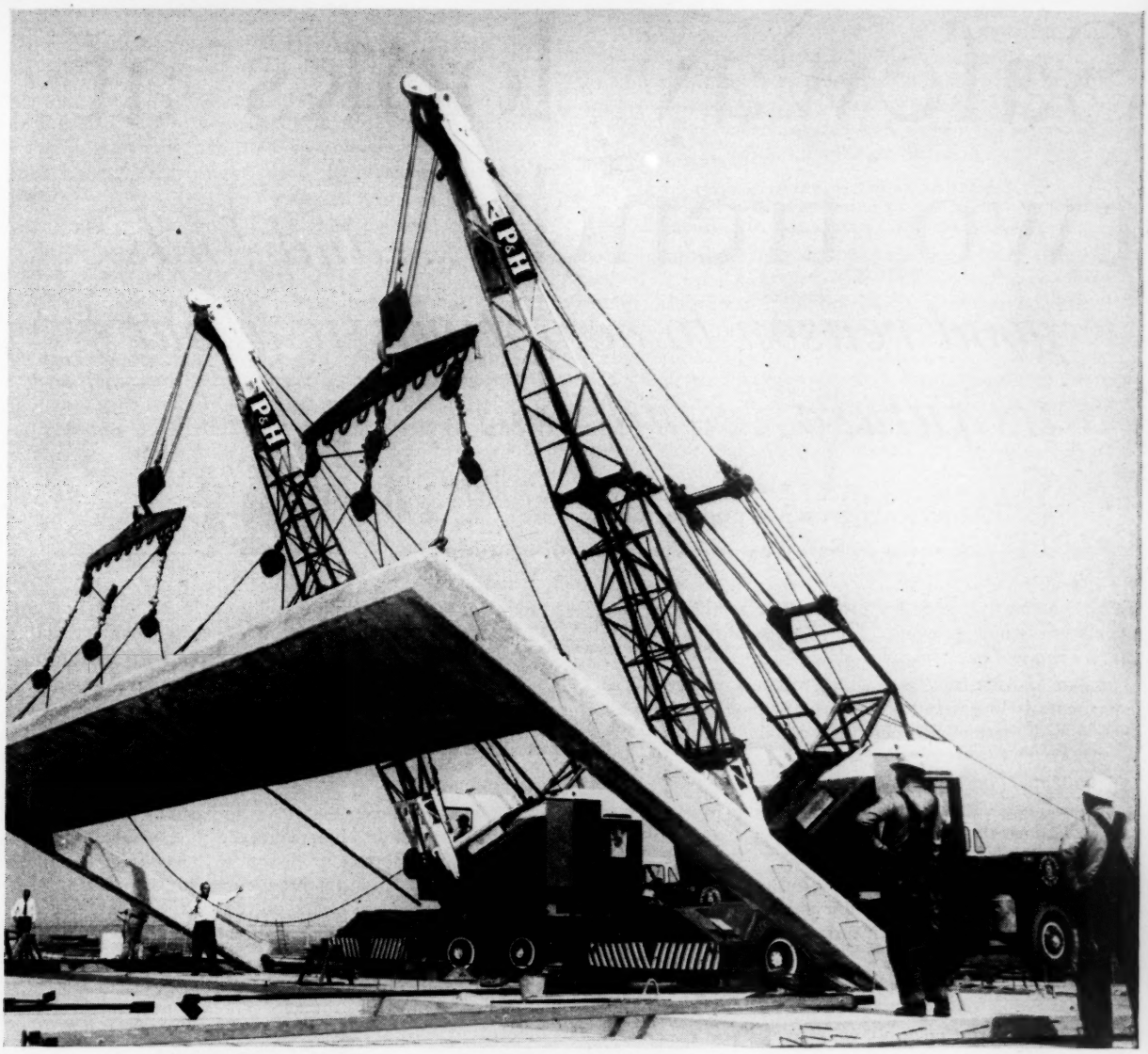
Captain Kittredge also fails to mention the Tokyo-Hong Kong dispatch of November 14th, distributed in Washington on November 26th, which told that Japan intended war if the Washington negotiations should fail. By November 28th, the Washington high officials were therefore fully armed with all the facts of the coming war, then close at hand—a fact that will not be as clear to the Captain's readers as it should be.

The Captain dismisses my book, after a couple of slight references thereto, as farcical. There is no doubt that this one-adjective technique is much simpler than facing my arguments and attempting to refute them. No need thereafter for him to dwell at any length on the complete breaking of the Japanese diplomatic codes, the full knowledge thus possessed by Washington, Manila, London, and Singapore regarding the Japanese intentions, and the denial of all this valuable information to the Hawaiian Commanders during the three months prior to the Japanese attack. The only question is, will this technique prove sufficiently convincing to the average reader for the Captain's purposes?

The Captain USNR and Naval Historian also accuses me of plagiarizing Mr. John T. Flynn's pamphlet on Pearl Harbor. Once before, to my knowledge, I was accused of the same disgraceful act, but that time at the expense of Mr. [George Edward] Morgenstern and his book ["Pearl Harbor, the Story of the Secret War"]. I have never had either the book or the pamphlet in my hands. The thoughts and deductions in my book are exclusively my own.

—U.S. Navy

PEARL HARBOR—DECEMBER 7, 1941



How P&H Truck Cranes spur the new trend in building

They're raising a 58-ton span of precast concrete—one of three wall sections used in a new plant on the west coast.

Here is the new trend in building: put 'em up in chunks.

And these are the machines that can do it! These agile P&H Truck Cranes have the strength and stability to lift huge structural members . . . the reach to set 'em high in the air . . . the mobility to get where they're needed with no time lost.

Matter of fact, these same machines — or their smaller brothers in the P&H line — often stay on after the plant is working. To load and unload railroad cars. To handle scrap and bulk materials. To dig, lift, move — just about anything you name. P&H offers the most complete line of truck cranes . . . 7 to 35 ton capacity . . . convertible to any attachment.

Chances are *you* can use a helper like this. Call a P&H representative or dealer, or write to Harnischfeger Corporation, Milwaukee 46, Wisconsin.

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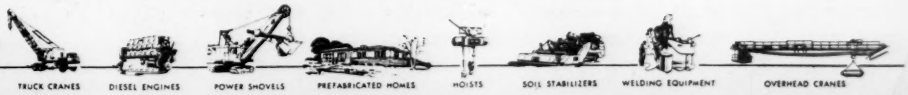

Safeway looks at two trends...*and finds good reason to be optimistic about its future...and yours*

1 America's growing population encourages Safeway to expand its operations.

Even conservative forecasts predict that at the rate our population is now growing...*by 1960 there should be 12 million more Americans to feed!*

As one of America's largest food retailers, we see this as a particularly bright future. In terms of food, this forecast means such nationwide potential annual sales increases as...

1,872,000,000 more pounds of meat
5,555,000,000 more pounds of fruits and vegetables
2,112,000,000 more quarts of milk
408,000,000 more dozens of eggs

To provide our share of this larger business Safeway must grow. Year by year we must be ready to meet the steadily increasing demands for our products and services. And we are doing that.

This year alone, Safeway is spending $90,000,000 for growth

As a down payment on 1960, we plan this year to remodel 200 of our stores. We expect to build 150 giant new supermarkets...and more than 1,000,000 square feet of new producing and distributing facilities. In all, our plans for 1955 should add some 5,000 more people to our payroll.

Encouraged in part by estimates of what our future business can be, Safeway is planning similar investments for the years ahead.

But Safeway recognizes — as do all sound businesses — that a growing population is only one "leg" to a growing economy.

For to be sound in such investing as ours we must consider the economic climate ahead. The helpful kind of climate that we foresee is one that will encourage sustained high employment, rising production, higher standards of living and stable purchasing power for the dollar. It is one where governmental policy is directed at helping maintain financial stability.

If financial conditions are sound, the action of free, self adjusting, competitive markets generally prevent the development of unfair or abnormal economic conditions, and there would be no reason for government to intervene in an effort to control directly prices, wages and production.

Here, too, is a trend — the "other leg" to a growing economy that Safeway finds encouraging.

2 Our government's basic financial checks and balances are being soundly administered. This gives Safeway confidence in a continuing healthy economic climate—even in times of emergency.

We all recognize that our country seems destined to live for many years under continuing world-wide threats of "emergency."

We can, however, meet these threats calmly, in both peace-time and war-time, with full confidence in the strength of our present and future economy. As long as our government continues to use its basic financial checks and balances with courage and wisdom there will be no need for hasty "emergency" actions, such as rigid government controls, that stifle economic initiative and growth.

We know America cannot survive under a "smothered" economy. The continuing emergencies, and the need to be strong — plus our growing population — plus our own desires for ever better standards of living...all demand that our economy continually expand.

Our increasing population must have increasing employment—steady employment. We must all have income—good income based on reliable purchasing power of our dollars—free from the effects of serious inflation or deflation.

With this kind of a healthy economy, all of us can feel confident in our future...secure in our jobs, in the value of our property, insurance, savings and our retirement

funds. Businesses can plan ahead with assurance, increase production and create new jobs.

Basic Financial Measures for a healthy, growing economy

For a long time our Federal Government has had certain basic financial measures available which, when properly used, have great power to protect our economy from disastrous upsets which might block its continued healthy growth.

Great men in both political parties have helped to create these basic financial measures and develop ways in which they may be put to most effective use.

Recently, these basic measures have been coordinated in a particularly effective way.

During the past three and a half years, for example, they have been used to help offset both inflationary and deflationary trends... to help bring employment back up from a downward swing... and to hold the purchasing power of the dollar almost constant.

It is the way these flexible measures are working today that gives us at Safeway such confidence that their continued use will help underwrite America's good future.

As a nation, we have not fully understood or appreciated the importance of these measures and the impact of their use, because they are complex and their effects are indirect. Moreover, we haven't realized that their misuse can aggravate or even cause inflation or deflation.

Continued sound use of these financial measures is essential to America's future—in peace-time or in war-time

Below is a brief explanation of what these basic financial measures are and how they work. This explanation deserves careful reading and study by every businessman and everyone who has a personal stake in America's security and economic future.

If the present wise government financial policies are to continue to help provide a healthy and growing economy for America in the future, they must have the understanding and insistent backing of business and individuals alike.

SAFEWAY STORES, INCORPORATED

A Nationwide Chain Operating 2000 Food Stores in the U.S. and Canada

Our Federal Government's financial checks and balances

Basic measures it can use to help maintain financial stability under any and all peace-time or war-time conditions. What they are —how they work.

Our government has three general types of basic financial measures it can use under *any* conditions — emergency or not — to foster growing production and employment, preserve the reliable purchasing power of our dollars and help prevent either inflation or deflation, both of which can disrupt our economic progress. They are:

1. ***Monetary and Credit Measures***
2. ***Taxation and Spending Programs***
3. ***Management of the Federal Debt***

Monetary and Credit Measures, for the most part, are applied through the Federal Reserve System. These include:

(a) buying and selling Government securities on the open market,

(b) changing legal reserve requirements of its member banks,

(c) changing discount rates at which member banks borrow from the Reserve Banks,

(d) influencing the use of credit, as in purchase of stocks on margin.

Other such measures the government may use are certain actions of the Treasury, and actions of other government agencies.

All these measures are delicate and quick acting in their effects upon the amounts of money and credit available for spending by business, farmers and consumers. This has a very important bearing on the general level of prices.

Taxation and Spending Programs are the result of actions by Congress and the Executive Branch of the government. Their effects on our economy are determined by:

(a) whether the government operates at a deficit, surplus, or with a balanced budget,

(b) whether the structure of taxes encourages or discourages spending for consumption or business investment and job creation,

(c) how the government varies the kind and rate of its spending.

The government's power to tax and spend has profound effects on private business and consumer spending, which in turn affect our employment, our production, and the buying power of our dollars.

Taxation and spending programs usually have a "delayed action" effect. Over the long run, however, few if any government policies exert more influence on our financial stability and progress.

Management of the Federal Debt is primarily a function of the Treasury. It must:

(a) design the types and terms of securities to be sold to finance a deficit or to refinance securities about to become due,

(b) plan the intended market for new security issues — and set up the marketing procedures to be used,

(c) decide what government obligations shall be retired — those owned by persons, businesses, commercial banks, Reserve Banks, etc.

(d) plan the maturity schedule of the debt so that the Treasury's need for funds will not disturb either the capital market or the economy in general.

The vast importance of proper debt management is clear when we realize that improper debt management could in itself precipitate financial instability. The great power stems from the fact that the Federal debt is almost as big as all private debt and all state and municipal debt combined. Also, Treasury securities are nearly half the assets of our banking system.

The Treasury must coordinate debt management with basic financial actions taken by other branches or agencies of government.

The Treasury should not attempt to dominate or interfere with the Federal Reserve System's policies and actions in such a way as to prevent the Federal Reserve from performing its primary function of regulating monetary and credit conditions. The Treasury should prevent too large an amount of Federal securities from being channeled into commercial banks, thus creating a base for excessive reserve funds which can become a major inflationary danger. It should avoid sudden changes in interest rates and government security prices which can seriously upset our money and capital markets for private securities and initiate inflationary or deflationary trends.

Our government can and must continue to use these vital, basic financial measures to help provide a reliable, healthy climate for America's expanding economy under any and all conditions, including threats of emergency.

Most important, these financial checks and balances must all be used in a flexible, coordinated manner as changing situations demand. Their continuing wise use deserves the vigorous support of all Americans.

MAIL THIS COUPON for reprints of this message and/or booklets on "Our Federal Government's Financial Checks and Balances." There is no charge for either. Fill in the quantity of each item you can use:

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Dept. A, P.O. Box 660, Oakland 4, California

What's this? Blackjack... at $1.71 an hour?

Should these men be fired? Absolutely not. They reported on time. But the work hadn't reached their department yet.

Next week the same department may need a second shift. And once again management may not know till too late.

Costly production mixups like this can be effectively forestalled with Keysort punched-card accounting. In this case, a *weekly* Keysort work-load summary would have shown which departments had a light work-week ahead...and which ones were due to be overloaded. Thus necessary transfers, layoffs, extra shifts could have been ordered *on time.*

A McBee Keysort installation can give you comprehensive, accurate reports on every phase of factory operation, and give them to you *fast.* Complete figures reach your desk by the 4th of the month. Important interim figures come to you each Monday, or even daily. Whether you run a 100-man branch plant or a manufacturing giant. And at very low cost.

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W
U.

Trend of American Business®

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Washington, D. C.

American business is to operate under its own steam this year.
Government is to be neutral in matters affecting business activity.
Those are the broad conclusions to be drawn from the President's budget and his Economic Report. Both documents assign Government a passive role.

Official thinking behind this policy is that the business upturn evident now is firmly based and will carry forward in 1955 without help or hindrance from Government. In brief, there is little to worry about.

The Economic Report finds these elements of strength in business:
Inventory trimming has "sharply abated" and some rebuilding of business stocks is likely to take place fairly soon.
Housing starts and applications for mortgage insurance indicate that home building "will continue to mount for some time."
Commercial-building contracts are following the same trend.
Outlay for plant and equipment is likely to increase, too.
State and local spending probably will offset any dip in federal outlay.
Sale of goods abroad can be counted on to be higher this year.
Consumer spending will expand "as economic recovery cumulates."
In other words, you can expect a rise in almost every field of activity.

With prosperity in the immediate outlook, the President says Government policy should aim at long-term growth. He sees "wise management of the national household" bringing output to 500 billions by 1965. It's running around 360 billions a year now. Mr. Eisenhower's report is given on page 42.

Here are some recommendations for encouraging growth:
Cut income taxes in 1956. Expanding activity should make this possible.
Raise the debt limit to give Treasury financing more flexibility.
Strengthen antitrust laws, give more aid to small business.
Expand federal programs for research, scholarships, teacher training.
Improve unemployment insurance, extend it to more people.
Make sure that mortgage money is available in adequate amount, and give the President more power to alter terms of mortgage loans.
Raise the minimum wage to 90 cents an hour.

Then these Government programs for expansion are urged:
Modernize the highway system. This is a 10-year, 100-billion-dollar plan.
Expand State and local projects--schools, hospitals, water systems.
Develop natural resources through federal-State partnerships.
Improve city neighborhoods through federal assistance.
To get these various programs to mesh, the President wants Congress

(over)

to authorize a Co-ordinator of Public Works Planning.

The President and his advisers find a lot of satisfaction in the way the business downturn in 1954 was handled. They make these points:

Federal spending and inventory spending fell by as much as 24 billions a year from the second quarter of 1953 to the third quarter of 1954.

Yet total output fell by only 14 billions a year from peak to trough.

The drag caused by declines in defense spending and in inventories was cushioned by increased outlays for new construction, a rise in spending on the part of individuals, continued high investment by business firms.

But, in the opinion of Government officials, this was no accident.

People's incomes, in total, were pushed higher, after taxes, by cuts in the tax rate and by higher unemployment benefits. This bolstered spending.

Business investment in plant and equipment was encouraged by lower taxes, and by the confidence instilled by Government policies.

The building boom was helped along by abundant and easy mortgage money.

For these results the Government takes a lot of credit. High praise is given to the Federal Reserve Board for loosening the money supply even before the dip in business activity became apparent, and to the Treasury for conducting its financial operations so as not to compete with business investment.

From this analysis you get a tip on future policies. Government is going to rely on indirect methods rather than direct action in any attempts toward influencing the course of business activity.

The budget also is designed to keep Government in a stand-by position.

Cash collections from the public are estimated at 68.8 billion dollars.

Cash payments by the Treasury to the public are put at 68.2 billions.

Cash surplus is expected to come to about 600 millions.

The budget, so far as cash transactions are concerned, is to be virtually in balance for the fiscal year that ends June 30, 1956. This means Government itself will contribute to neither inflation nor deflation in the period ahead. It's another sign that businessmen are to take the helm.

The cash budget differs from the bookkeeping budget by including such items as Social Security tax receipts, and by excluding some noncash spending items. The bookkeeping budget estimates a deficit of 2.4 billions.

Production trends right now confirm the official optimism.

Output of industry rose again in December and is keeping up this month.

Production for December, measured at 130 per cent of the 1947-49 average by the Federal Reserve Board, is 4 points above December, 1953.

Auto industry is sparking the upturn, but strength also is apparent in household goods, textiles, clothing, chemicals. Oil-refining operations in December and early January were at record levels for the season.

Retail sales are in a strong uptrend. People are spending much more readily this month than they were in January of last year.

All in all, the business picture has a rosy glow at the moment.

Mechanized Filing Saves $108,000 Plus $36,000 Every Year!

One life insurance company* in the U.S. writes new policies at the rate of 40,000 *a week!* With some 1,500,000 life policies in force, there are *weekly changes* on 75,000 to 100,000 punched cards which control the policies. *That's a lot of punched cards*—about 10 miles of them if laid end to end!

FORMERLY this required a lot of clerks (and space). The clerks spent 58% of their time filing, checking and pulling the cards, nearly half of which time was consumed in a constant flow of traffic walking to and from the file cabinets, locating the proper drawers, and opening and closing them!

NOW all cards are housed in Remington Rand Convé-Filers...no more walking, stooping and reaching. The clerk remains comfortably seated at all times. Just a touch of her toe to the control pedal and the tray containing any desired card, of the 175,000 in her section, is delivered in front of her at convenient desk-height, in seconds.

RESULT: A saving of close to 40% on clerks' salaries alone . . . and, with most of the physical fatigue eliminated, turnover is reduced 50% and the high cost of training new workers is saved. Following an initial saving of $108,000, which more than paid for the new equipment, $36,000 is being saved every year!

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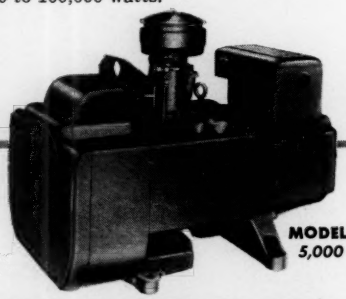

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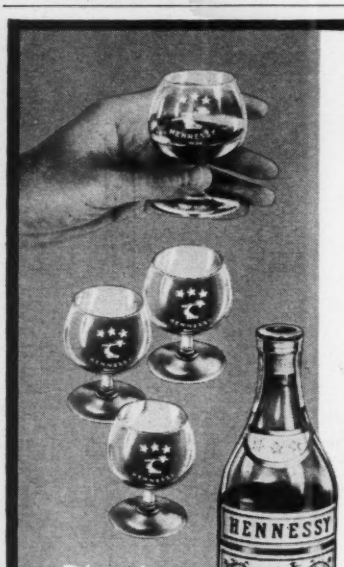

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News - Lines

What you as a businessman ☑ CAN and ☒ CANNOT do as a result of federal court and administrative decisions:

☑ **TAX GUIDE.** You can obtain from your tax collector a copy of the new "Employer's Tax Guide—Circular E, Revised January, 1955." Among other things, the pamphlet contains instructions for depositing and reporting on income taxes and Social Security taxes withheld from wages of employes.

* * *

☑ **DEFENSE PURCHASES.** You can find out from military procurement officers about rules for military purchases of the U. S. Government in foreign countries. A directive just issued by the Secretary of Defense outlines the objectives and assigns the responsibility for this foreign-procurement program.

* * *

☑ **WAGE-HOUR LAW.** You can wait till February 7 to submit to the Labor Department your views on a proposed regulation to simplify the figuring of overtime pay under the Fair Labor Standards Act. Extension of time is announced by the Department.

* * *

☑ **TAX PROCEDURE.** You can collect interest from the Government on a tax overpayment from the date when you file a refund claim until the date when the Internal Revenue Service assesses a new tax deficiency against which the overpayment is credited. This method of figuring interest is explained by the Internal Revenue Service.

* * *

☑ **PRICE SUPPORTS.** You can, as a dairy farmer, count on the Government's continuing its present levels of price supports for dairy products through the 1955-56 marketing year, beginning April 1. Continuance of this program for butter, Cheddar cheese and dry milk is announced by the Department of Agriculture.

* * *

☑ **GASOLINE.** You can, as the builder of a new refinery to increase the production of aviation gasoline, forget about two reports formerly required by the Government. The Department of the Interior drops the requirement for filing reports on forms PAD-79 and PAD-80.

☑ **EXPORTS.** You can now ship mercury compounds to most countries without getting an export license from the Bureau of Foreign Commerce of the Commerce Department. Licenses still are needed, however, to send these compounds to Hong Kong, Macao, the Soviet bloc of nations and Communist-controlled areas of Indo-China.

* * *

☒ **EXPORT CONTROLS.** You cannot export goods to Yugoslavia without submitting to the Commerce Department a certificate from the importer in that country saying the goods will not be re-exported without official authorization. This "end use" certificate requirement is established by the Bureau of Foreign Commerce, effective February 28.

* * *

☒ **COLLECTIVE BARGAINING.** You cannot refuse to supply wage and payroll information to collective-bargaining representatives in your plant because some employes would not consent to such disclosures. The National Labor Relations Board holds that an employer violated the Taft-Hartley Act by withholding this information when individual employes did not agree to it.

* * *

☒ **TAFT-HARTLEY LAW.** You cannot legally give your employes Saturday off with pay in an attempt to get them to withdraw from a union. The Labor Board finds that such an act by an employer interfered with the Taft-Hartley rights of his employes.

* * *

☒ **MINERALS.** You cannot, as a seller of certain minerals to the Government, refuse to allow federal examination of your records relating to these transactions. The General Services Administration provides for such inspection in amending its regulations covering purchase of tungsten, mercury, columbium-tantalum, beryl and asbestos.

* * *

☒ **TAX REPORT.** You cannot any longer send to your district tax collector a report on tax form 1042 supplement relating to income paid to persons in a foreign country with which the U. S. has a tax treaty. The Internal Revenue Service says these reports now must go to the district director of Internal Revenue, Baltimore 2, Md.

Conclusions expressed in these paragraphs are based upon decisions and rulings of courts and Government bureaus. In making their decisions, courts and bureaus consider many facts which, for reasons of space, cannot be set forth in detail. U. S. NEWS & WORLD REPORT, *on written request, will refer interested readers to sources of this basic material.*

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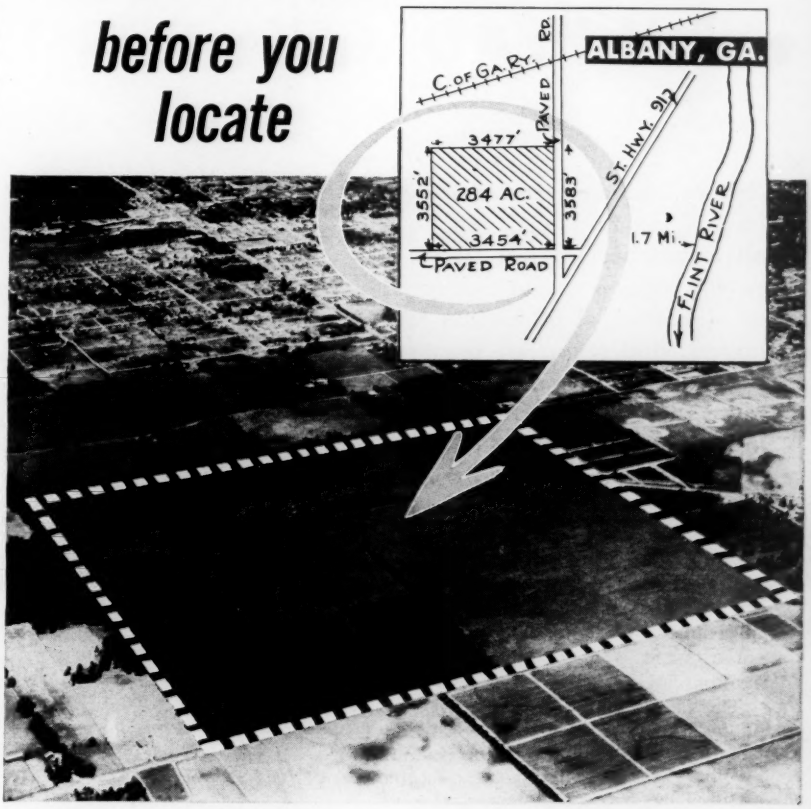

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The Right Way...

NEW HEADACHES FOR TAXPAYERS

Forms Are Getting Tougher to Figure Out

If you haven't seen your new income tax form yet, you have an experience in store.

New returns are in the hands or mailboxes of 50 million taxpayers. And taxpayers are in a fog. Reaction to the complicated forms already is reaching Washington.

This is a close look at what has happened—and the worst that's yet to come.

A storm is building up around the tax collector's head as people all over the country take a look at the new income tax forms just delivered by the mailman.

The fact is that many taxpayers are finding the new forms and explanatory pamphlets too complicated for comprehension. After years in which the income tax form has been made more and more simple—with promises of further simplification—the new form comes as a distinct shock to the typical taxpayer.

Trouble is that this new form, which had to be devised in a hurry last September, embodies the most extensive and complicated overhauling of tax laws in many years.

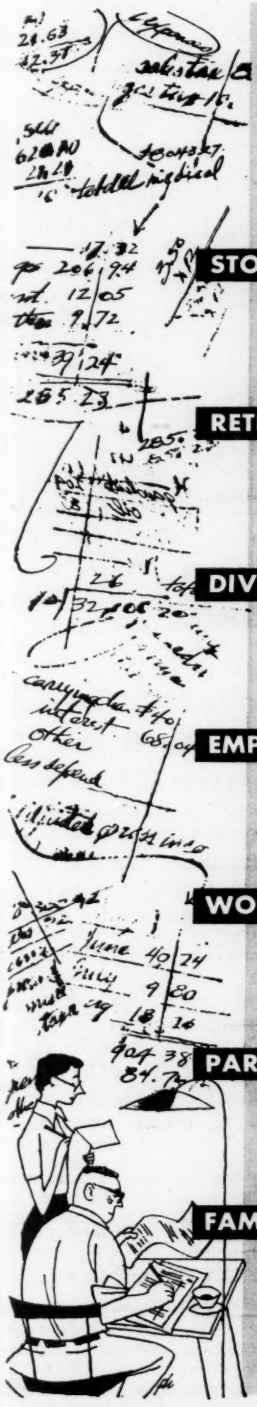
So far, relatively few people have taken the time to study their returns—the April 15 deadline still is nearly three months off. Already, though, the weather is getting rough for the Internal Revenue Service.

At Revenue offices around the country, taxpayers are queueing up for help in making out their returns, long in advance of taxpaying time.

In Washington, D. C., where the national IRS offices are housed with a local Revenue office, Commissioner T. Coleman Andrews is being made acutely aware of what is happening.

Arriving at his office in the morning, the Commissioner can see the long lines of taxpayers waiting for aid. When his friends call for lunch, they find that it takes five to 10 phone calls to get through to the switchboard that serves both the national and local offices. If they make inquiry, they are told by an operator: "It's taxpayers calling for help."

(Continued on page 130)



For These People, TAX RELIEF— But Some Troubles, Too

STOCKHOLDERS

New tax credits and exemptions allowed. But tax form is complicated. Taxpayer will have to study the rules, do some figuring.

RETIRED PEOPLE

Annuities come under new tax rules. So does other "retirement income." Changes are confusing. Also, there's an error in the tax form.

DIVORCED PERSONS

New law, again, is helpful but confusing. Payments under new separation agreements can be deducted, even though not ordered by court decree.

EMPLOYES WITH SICK PAY

Important change, easy to overlook: Workers, as a rule, can claim tax exemption for pay received while sick or injured, up to $100 a week.

WORKING WIDOWS

Wages paid to baby sitters while mother is at work can be deducted, up to $600. But there are restrictions on this which taxpayer must understand.

PARENTS

Child can be claimed as dependent, even if he earns more than $600—provided he's under 19 or in school and that parents pay more than half his support.

FAMILIES WITH BIG MEDICAL BILLS

Rules are eased on deductions for doctor bills. But new limits on deductions for drugs and medicines can be tricky, must be watched.

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Statement of Condition as of December 31, 1954

ASSETS

Cash, Gold and Due from Banks	$1,311,011,894
United States Government Obligations	1,842,996,802
Obligations of Other Federal Agencies	35,464,846
State and Municipal Securities	596,283,109
Other Securities	60,581,083
Loans and Discounts	2,337,065,556
Real Estate Loans and Securities	4,978,328
Customers' Liability for Acceptances	43,819,480
Stock in Federal Reserve Bank	15,000,000
Ownership of International Banking Corporation	7,000,000
Bank Premises	27,177,771
Items in Transit with Branches	38,100,729
Other Assets	3,625,188
Total	$6,323,104,786

LIABILITIES

Deposits		$5,639,188,380
Liability on Acceptances and Bills	$75,693,233	
Less: Own Acceptances in Portfolio	29,344,669	46,348,564
Due to Foreign Central Banks (*In Foreign Currencies*)		18,492,300
Reserves for:		
Unearned Discount and Other Unearned Income		22,472,680
Interest, Taxes, Other Accrued Expenses, etc.		38,440,249
Dividend		5,500,000
Capital (*10,000,000 Shares—$20 Par*)	$200,000,000	
Surplus	300,000,000	
Undivided Profits	52,662,613	552,662,613
Total		$6,323,104,786

Figures of Overseas Branches are as of December 23.

$400,361,995 of United States Government Obligations and $19,082,200 of other assets are pledged to secure Public and Trust Deposits and for other purposes required or permitted by law.

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Thousands skip punch-card tax return, fill out facsimile . . .

Those SOS calls to this one local office are running as high as 1,800 in a day.

Yet this is but the beginning. More trouble can be expected when the bulk of the taxpayers get down to business on their tax returns.

What taxpayers face. Many people filling out the complicated new forms can expect to get some tax relief. But indications are they'll be earning it.

Some taxpayers, of course, will have no more than the usual trouble. Lower-income taxpayers can use the revised form 1040A—now a special punch card requiring a minimum of effort. But almost none of the new tax relief will be available to users of this form.

Even with it, trouble is brewing. Instructions sent out with the form include a facsimile of the punch-card form. Unfortunately, there's no note to explain that the facsimile is just a sample. So thousands of taxpayers are filling out the thin-paper facsimile instead of the punch card, and elaborate preparations for machine processing may go for nought.

It is in form 1040, however, that taxpayers will encounter real challenges. This form will be used by many lower-income persons and by all taxpayers with incomes of $5,000 or more or with any substantial income from investments.

Broadest relief granted is tax exemption for some of the sick-leave pay that employes have drawn during 1954. It can mean important tax savings for millions of wage and salary earners. But the "ifs," "ands" and double "unlesses" that spot the instructions will need to be read, reread and read again by most workers. And the taxpayer who waits until the last minute to fill out his return may find that he does not have the necessary data about his 1954 sick leave.

Annuitants, stockholders, retired people generally are to find even more complications in their specially designed schedules of the return.

Annuitants, for example, have complained for years that the old "3 per cent" rule for figuring the tax-free part of their annuities was much too difficult to understand and apply. Now, they can't figure their tax exclusion at all unless they get hold of a special booklet showing the actuarial tables on which the new exclusion is based. Even with the tables, it seems unlikely that many annuitants will be able, unaided, to compute their excluded income.

Stockholders, meanwhile, face troubles of their own. When they get disentangled from column A and column B of schedule J, they can tackle the actual computation of their tax cut. Again it will be the numerous "except that" expressions of law that will make things tough. Couples owning shares jointly are likely to be more confused than most.

Retired people can expect trouble figuring out just which forms of income can be counted in adding up the "retirement income" that provides the base for their tax cut. If they get past that, they can look for more confusion in figuring out just which forms of income serve to reduce the base. A discrepancy in the schedule—IRS insists it's a matter of "interpretation" of the law—is all but certain to trap any retired person who gets by these two hurdles.

Thousands of families with big medical bills will be disappointed and confused by the new schedule for computing

–USN&WR Photo

MEDICAL EXPENSES
. . . require careful figuring

medical deductions. Few have been told that for outlays on medicines and drugs only those amounts in excess of 1 per cent of income can be counted as medical expenses.

This means that, to start with, the taxpayer must eliminate medical expenses amounting to 1 per cent of his income. Then, in the final computation, he must eliminate other medical expenses equal to 3 per cent of his income. In effect, thus, he actually gets to deduct only those medical expenses in excess of 4 per cent of income. He had been led to think he could deduct all in excess of 3 per cent.

These are only examples of items to watch. The chart on page 128 spots several more that will bear study.

What lies ahead. Officials, meanwhile, are just beginning to get an inkling

. . . Internal Revenue has answer to complaints about forms

of what to expect as the April 15 deadline approaches.

It already is obvious, though, that hundreds of agents badly needed on tax-enforcement work will have to be taken off their regular jobs and assigned to the task of explaining the new forms to befuddled taxpayers. Enforcement programs that already are regarded as inadequate will suffer.

Even that emergency step will not help much. At best, agents can sit down with only a few of the tens of millions of income tax payers. It means that more people are going to make more mistakes on returns this year than ever before. Checking of returns by agents will be slowed. Refunds will be delayed.

Even that isn't the end of official fears. The people who collect the country's huge tax bill are wondering what will happen when taxpayers finally do get their complicated forms filled out. A great many, it is feared, are going to be sadly disappointed at the size of the tax relief they are able to realize from the big tax-revision law of 1954. Resentment over this will add to irritations caused by complicated returns.

Even now, before any blast occurs, officials are anticipating the inevitable reaction from Congress. They realize that Democrats in control are unlikely to wait until taxpayer resentment reaches a peak before demanding an investigation. Even if he misses that, Commissioner Andrews must go before a committee shortly to ask for appropriations—and take the usual grilling.

Mr. Andrews, almost certainly, is going to be asked for an explanation.

Who did what? If driven into a corner, the Commissioner may have to tell Congress what has happened. He may be forced, however reluctantly, to show why the new forms are so incomprehensible to so many people. If he does, here is what he'll tell Congress:

> It's the law passed by Congress itself that makes the forms so confusing. At best—it will be explained—Revenue officials could make only halfway understandable the complex provisions of law through which Congress chose to extend tax relief. At worst, they could—and, it's charged, did—produce an insoluble puzzle.

If forced far enough, Mr. Andrews will lay even this "worst" at the door of Congress. After laboring for two years, Congress came up with a brand-new Internal Revenue Code of more than a thousand pages, and then gave the Commissioner six weeks to translate it into a simple tax form.

The new tax code, it will be recalled, was approved last August 16. Internal Revenue had to have the once-familiar form 1040—along with a new explanatory pamphlet—in shape for the presses by late September in order to get 100 million copies of the form and 60 million copies of the pamphlet printed in time to distribute. Even on that schedule, few taxpayers received their packages in time for the early filing date of January 15.

IRS, the Commissioner may say, is proud of the job it did in the situation produced by Congress.

The co-operative Mr. Andrews, you may be sure, will say all this only if he is cornered.

› Insurance. The American people, year after year, are buying more life insurance policies—and bigger ones. The Institute of Life Insurance reports that, in 1954, which set new records for life companies, the public took out 21 per cent more insurance than in 1953. The average size of ordinary life policies bought in 1954 is reported at about $3,700. This is $1,600 above the average for just 10 years earlier.

› New stock issue. General Motors Corporation, which previously had announced a common-stock issue to raise 325 million dollars, apparently has raised its sights to 435 million. Registration fees paid to the Securities and Exchange Commission were based on the higher figure.

The issue is the largest industrial capital-raising program ever filed with SEC. Present stockholders will get first chance at the new shares, on the basis of one new share for each 20 now held. Price will be determined later.

› Old stand-bys. Just under half—49 per cent—of the common stocks traded on the American Stock Exchange have paid dividends for 10 consecutive years or more, and two claim runs of more than 100 years. That's the showing in a report from that exchange. Six of the firms paying dividends for more than a decade were selling to yield more than 10 per cent to investors. Some 29 corporations studied have paid annual dividends for at least 50 years, and 98 have paid out for 25 or more consecutive years.

› Investment companies. A gain of 2.2 billion dollars in net assets in 1954 is reported for the 115 mutual-fund and 30 "closed-end" members of the National Association of Investment Companies. Total of net assets went to 7.3 billion for what the association calls the "greatest year in its history."

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Latest Indicators of Business Activity

Cost of borrowing has risen still more as Federal Reserve Banks tailor the supply of bank credit close to the needs of expanding business activity.

The interest rate on commercial paper—the short-term unsecured notes of industrial concerns and finance companies—rose one quarter of a percentage point in the week ended January 20. Dealers' quotations on 3-to-6-month paper range from 1½ to 1⅞ per cent.

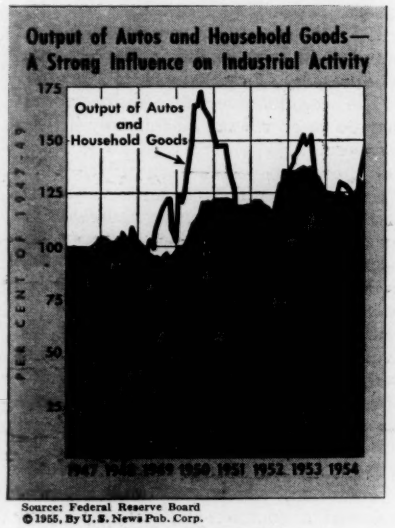
Ninety-day bills sold by the Treasury on January 18 yielded 1.407 per cent, compared with 1.049 in the week ended January 8 and only 0.65 in June of last year. The rate on 9-to-12-month certificates rose to 1.39 per cent in the week ended January 15 from 1.13 two weeks earlier and 0.64 in June, 1954.

Treasury long-term bonds yielded 2.64 per cent on January 19, up from 2.58 two weeks earlier and 2.47 last July. Investors still wonder whether the Treasury will issue a long-term bond to help repay debt coming due on February 15 or March 15.

State and municipal bonds increased in yield to 2.40 per cent in the week ended January 13, up from 2.35 late in December and 2.23 last August. Many new issues have been offered recently.

Federal Reserve credit outstanding was reduced about 1.3 billion dollars in the first three weeks of January, mostly by the Federal Reserve's sale of its Government securities on the open market. Main object was to soak up dollars flowing back to member banks after the Christmas shopping season, as well as money collected by banks from customers repaying year-end loans.

Reduction of credit by Federal Reserve Banks was large enough to keep member banks from increasing money available for new loans and investments. Deposits of member banks at the Federal Reserve Banks on January 19 were only 464 millions greater than were needed to meet reserve requirements and to offset member-bank borrowings from Federal Reserve Banks. These "free reserves" of 464 millions were below the average in any month since February, 1954.



Source: Federal Reserve Board
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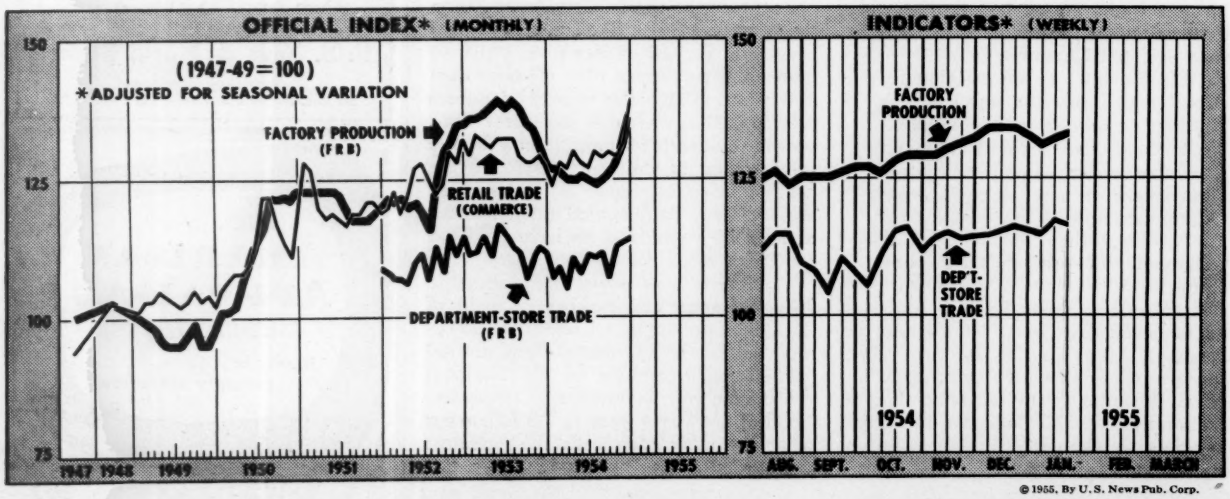
A shrinkage in money available in the securities markets this year for the purchase of mortgages and bonds can come about indirectly if Federal Reserve policy limits the amount of loans and investments that commercial banks can make. In 1954, the easy-money policy of Federal Reserve Banks permitted commercial banks to add 7.6 billions to their holdings of bonds, chiefly U. S. Government securities. Part of these were bonds sold by insurance companies and savings banks, which used the proceeds to enlarge their purchases of mortgages. This helped to feed the building boom.

Federal Reserve policy, as a rule, is fluid, adapted to changes in business conditions. Practice over many years, except in World War II and up to 1951, has been to let interest rates be flexible, rising when business expands, falling when it contracts.

Business activity, now rising, inclines policy toward higher rates of interest, a more carefully measured flow of Federal Reserve credit into the banking system. Electric-power output now is running 10 per cent above a year ago, freight carloadings 4 per cent. Factory output, at 133 on the indicator, is only 4 per cent below the 1953 peak.

Auto output, abnormally high in the first quarter of 1955, seems likely to drop in the second quarter and in the second half. And production of autos, shown in the top chart combined with output of household goods, strongly influences the trend of industrial production.

A rise of interest rates, if mild, is not likely to nip a business recovery in its early stages. But if business recovery hesitates for some other reason, Government policy would probably shift again toward easier money.



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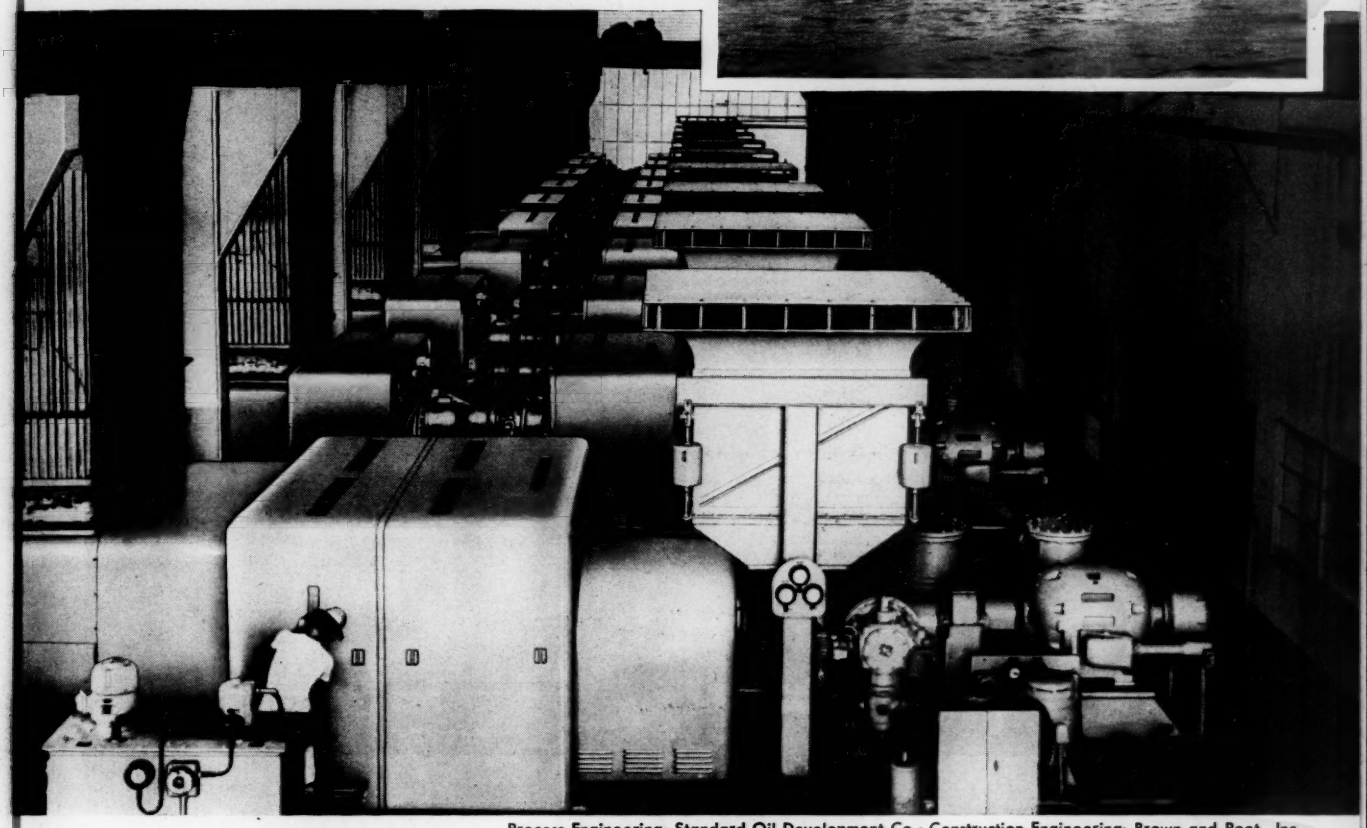
GAS TURBINES ARE READY FOR YOU



Process Engineering: Standard Oil Development Co.; Construction Engineering: Brown and Root., Inc.

Creole Petroleum puts into service world's largest gas turbine installation

10 G-E UNITS DRIVE GAS COMPRESSORS FOR OIL-FIELD PRESSURE MAINTENANCE

The largest concentration of gas turbine horsepower in the world is now in continuous operation on a platform over Lake Maracaibo in Venezuela. There, seven miles from shore, ten General Electric gas turbines do a vital job for Creole Petroleum Corporation, driving centrifugal compressors which maintain gas pressure and thereby increase the yield from gigantic oil fields below.

CREOLE'S SUCCESSFUL INSTALLATION represents a new concept in oil-field pressure maintenance. The combination of centrifugal compressors and combustion gas turbines is designed to return 137,000,000 cubic feet of gas per day to the field at a pressure of 1935 pounds per square inch.

Naturally, reliability was an important reason for the selection of G-E gas turbines. In addition, their light weight simplified the construction of the platform and its pilings.

This remarkable installation is an outstanding example of petroleum industry enterprise and an important milestone in the progress of the gas turbine—industry's most important new prime mover.

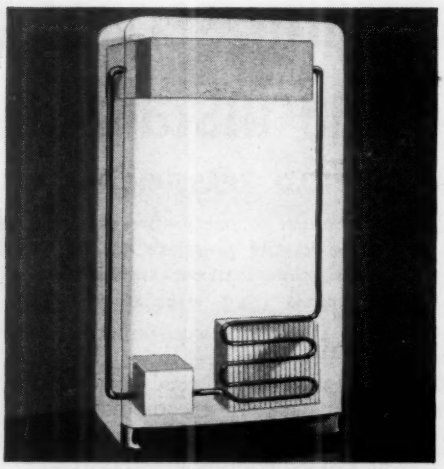
G-E COMBUSTION GAS TURBINES are available for service in the electric utility, paper, cement, marine, chemical, and petrochemical industries. In fact, if you can use mechanical or electrical power, compressed air, heated exhaust gas, or a combination of these, the G-E gas turbine merits your thorough consideration.

For more complete information, contact your nearest Apparatus Sales Office, or write for bulletin GEA-5516, "G-E Combustion Gas Turbines." General Electric Company, Schenectady 5, N. Y. 261-1

Progress Is Our Most Important Product

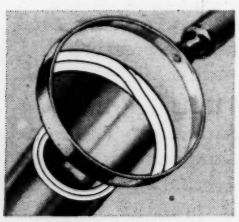
GENERAL ELECTRIC

He keeps his life in the refrigerator



The manufacturer of your refrigerator uses Bundyweld Tubing for antileak protection—protection given refrigerator owners for over 20 years.

Insulin! Its discovery thirty years ago presented diabetics with the gift of normal, happy life. Yet, insulin had to be kept cold, *demanded* dependable home refrigeration. Credit the engineers for meeting that demand. But credit, too, the Bundyweld Tubing they rely on to conduct hard-to-hold, easy-to-leak refrigerants. Diabetics—and *you*—can feel confidence in your modern refrigerator, due in part to reliable antileak protection by Bundyweld.

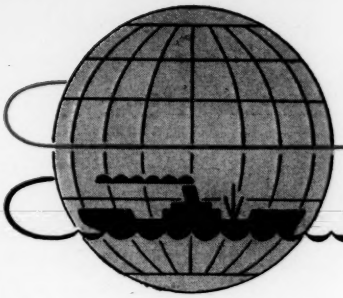


Bundyweld Steel Tubing is the only tubing double walled from a single metal strip, copper bonded through 360° of wall contact. Manufactured by the world's largest producer of small-diameter tubing, Bundyweld won't leak, will transmit heat efficiently.

BUNDYWELD TUBING®

"The lifelines of refrigerators and freezers"

BUNDY TUBING COMPANY • DETROIT 14, MICHIGAN



Business Around the World

BONN • LONDON • PARIS • RIO DE JANEIRO • BUENOS AIRES

>> Spotlight in Europe this year is to shift from production to consumption.....Pocketbooks are better lined than since prewar days.....Wages trending up gently.....Taxes stable or lower.....Savings accumulating at a rapid rate.....Retail prices show no pronounced trend either way--yet.

>> Ruhr industrial barons are moving into the consumers' market.....Flick takes control of Daimler-Benz, the German automobile company.....Krupp buys Neckermann, flourishing mail-order house in Frankfurt.....Krupp and the others used to think retail trade was beneath their dignity.....Growing purchasing power points to big marketing possibilities in Western Germany.

>> German auto makers are cutting prices, seeking bigger markets.....One German Ford model now $1,420.....German cars had an especially big selling year during 1954 in Sweden, where one family in three now owns a car.....Expect much more push behind campaign to sell German Volkswagens in the U.S. this year.

>> Expansion plans of British car manufacturers run to nearly half a billion dollars--much of this in General Motors and Ford plants.....Auto-parts makers, to keep pace, expect to spend about 300 million dollars on increasing capacity.....With shortage of skilled workers developing in Britain, trend will be toward labor-saving machinery, more "automation".....Looks like a chance for American machinery makers to wedge in.

>> Renault, in France, now joins procession of British and German auto makers pushing up capacity.....Renault, a nationalized company, is to borrow 8.6 million dollars to modernize and increase output.....Renault's ads in French papers now stress installment selling of cars.

>> All over industrial Europe the big demand is for steel to make more machinery, more cars, more buildings.....Some steelmakers, with bulging order books, are refusing to take any more orders.....Steel prices are headed up..... Steel imports from the U.S. are to grow in volume.

>> Looks like a boom year for American technical advice in Europe.....Clamor there is to get more out of present capacity.....Virtues of mass-production techniques are better appreciated.....Need is for better plant layout and "flow".....Production engineers are at a premium.

>> Western Europeans want private U.S. capital to come in, help them expand.

(over)

But more important than the money is the technology that comes with it.....Read this significant excerpt from the report of the Organization for European Economic Co-operation on private U.S. investment in Europe: "The first function of United States capital is fulfilled by direct investment in manufacturing or merchandising when it carries with it improved technology, efficient production and sales methods, patents, management, skilled personnel, and fresh ideas....." That's the concensus of many European businessmen.

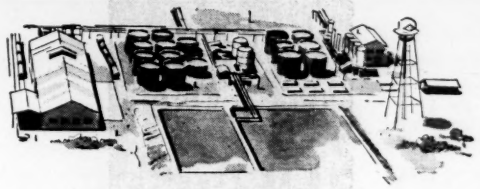
>> This OEEC report shows that U.S. private investors in 1947-53 drew out more funds, net, from Western Europe than they put in.....European boom is much beholden to U.S. Government aid since war's end (see page 60) but seemingly little beholden to private U.S. investors.....Since 1953, there's been a bigger flow of U.S. private capital into Europe.....OEEC report gives valuable résumé, by country, of various controls and rules covering foreign investment in Western Europe.....Report, costing $1.25, can be obtained from the OEEC Mission, 2002 P Street, N.W., Washington, D.C.

>> Look for a sharpening of already keen competition for airliner markets between American and British plane manufacturers.....Northwest Orient, big U.S. airline, is reported interested in the British-made Viscount, turboprop airliner already ordered in quantity by Capital Airlines.....British Overseas Airways Corporation is considering buying Douglas DC-7C's with piston engines for long-range flights.....Prospect seems to be for major airlines to move toward mixed fleets of piston-engine and turboprop liners for the next couple of years.....Wide use of pure jet airliners is further off in the future.

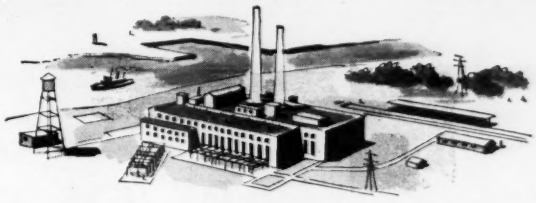
>> Roaring inflation in Brazil has caused another juggling of exchange rates. Net result: an increased subsidy for exports of such things as cotton, cocoa, carnauba wax, castor beans.....Inflated conditions in Brazil were pricing these out of world markets.....Subsidy for coffee exports unchanged.....Brazilian coffee has been selling better in recent months.

>> Long-applied Washington pressure lies behind a new decree on foreign-capital investments in Argentina.....Investment law, passed in 1953, is made applicable to "old" investments as well as to new ones--those made after the date of the law.....Now any foreign-owned companies can remit annually up to 8 per cent of their invested capital, after being in business for two years. They can repatriate their capital by easy stages, after 10 years in business.....Big U.S. companies, such as General Motors, Ford, International Harvester and Standard Oil, operate in Argentina.....These have been blocked from getting money out for years.....Gimmick in the new decree is that it will be applied only to "national interest" industries.....Perón officials thus can play favorites.

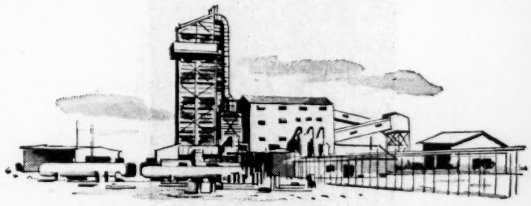
>> In this new year, oil demand in the free world is to increase more outside the U.S. than inside the country.....Also, more oil will be used by other free-world countries than by the U.S.....So says magazine "World Oil"..... Western Europe will again show the sharpest rise in oil consumption this year--up 10 per cent.....U.S. rise? About 4½ per cent.....World production, especially with Iran coming back fast, will easily meet consumption needs..... Matter of fact, odds favor continued price shading in some oil products.



PETRO-CHEMICAL PLANT in Texas to produce ethylene from natural gas by the owner's process.



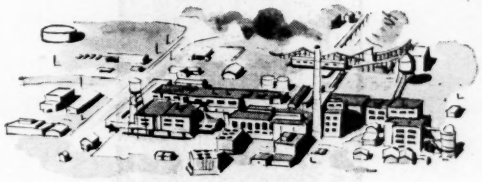
GENERATING PLANT, one of three of 66,000 KW each, installed for electric utility company in Southwest.



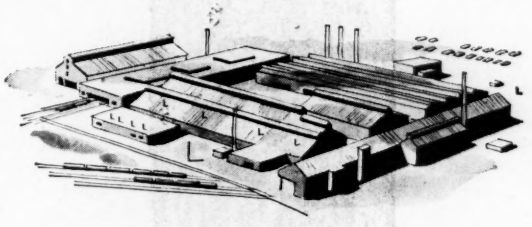
ORGANIC CHEMICAL PLANT to produce insecticides—DDT and BHC—located in the State of Alabama.

DIVERSIFICATION

SHARP PENCILS



PAPER MILL in the South's pine belt, increasing its capacity by nearly 500 tons of newsprint daily.

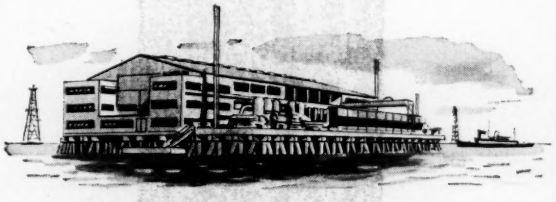


STEEL MILL facilities expanded through contract with Brown & Root in excess of $70,000,000.

More than forty years of diversified experience in engineering and heavy construction in projects ranging from $50,000 to $125,000,000 in size... has put a razor-sharp edge on the Brown & Root estimating pencil.

This same sharp pencil can do the figuring for you with the same assurance known to a long list of satisfied Brown & Root clients... a list that reads like the Who's Who in Industry.

Behind each of our successful completions are arrayed the vital Brown & Root services developed by this long diversified experience... plant location data, economic surveys, design, engineering, home office supervision, cost accounting, procuring and expediting... all the cogs necessary to produce an economical, efficient facility for you. If your plans call for new construction or expansion, call Brown & Root. Plant planning experts will be put at your disposal. No obligation, of course.



PRESSURE MAINTENANCE plant for Venezuelan gas reservoir built in 62 ft. of water with 50,000 h.p.

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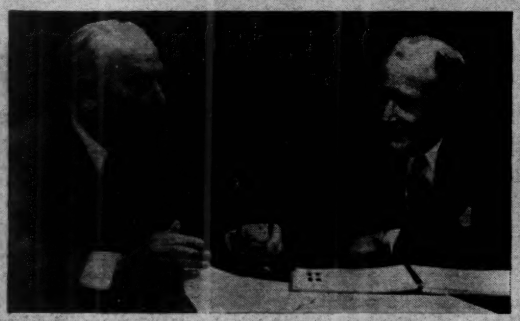
AUTO MEN SEE YEARS OF GOOD BUSINESS

Forecast Upturn of 40 Per Cent in Spending



MR. SLOAN AND MR. CURTICE

A year ago, Harlow H. Curtice and Alfred P. Sloan, Jr., accurately forecast an early end to the recession of 1954.

Now these two top officials of General Motors look ahead again.

What they see this time: A year of record prosperity for the U. S. in 1955.

They also report studies that show continued growth in later years—with rising output, incomes, spending.

MR. CURTICE CALLS "PUBLIC CONFIDENCE" KEY TO '55

Following are excerpts from an address by Harlow H. Curtice, president of General Motors Corporation, to a luncheon of 500 business leaders in New York City on Jan. 17, 1955:

At this time last year, a great many people were pessimistic about the business outlook. I did not share that feeling. Perhaps you will recall my statement that there was no depression in my vision. I made three specific forecasts:

First, that the automobile industry would produce in the area of 6,300,000 passenger cars and trucks for the domestic market and a total of 7 million including Canada and overseas shipments.

Second, that General Motors' volume of sales in physical and dollar terms would not be far from the high level attained in 1953.

Third, I predicted a continuing high level of employment, consumer expenditures, housing starts and capital investment by industry and a gross national product not far from the high level of 1953.

A brief review of what happened in 1954 would seem to be in order.

Once again the automobile industry demonstrated its unmatched vitality and power to spark the nation's economy.

The industry produced and the domestic market absorbed 6,200,000 units last year. Including Canada and overseas shipments, industry sales totaled 6,950,000 units.

Sales of General Motors cars and trucks in the United States and Canada, including overseas shipments, totaled 3,450,000 units. This compares with 3,496,000 in 1953 and makes 1954 our third best year. However, in passenger-car sales, 1954 was our second best year, exceeded only by 1950.

Measured in dollars, General Motors sales were within 2 per cent of 1953 despite a 30 per cent decline in defense deliveries. Defense products represented 14 per cent of total dollar sales, as against 19 per cent in 1953.

Nineteen fifty-four was a highly competitive year in the automobile industry. It was the first full year since 1940 in which the normal competitive forces of the market exerted themselves.

Unfortunately, bootlegging, which is the wholesaling of new cars by enfranchised dealers to used-car lots and other unauthorized outlets, was widespread. It had a demoralizing effect on the retail-price structure—as did the pressures created by the disposal of slow-moving merchandise. These factors adversely affected the earnings of enfranchised dealers. Despite this, dealers handling General Motors products enjoyed another profitable year.

The national economy demonstrated far more underlying vitality than many forecasters had believed possible a year ago. Inflation in consumers' prices was halted; inventory adjustment was accomplished, and a sound and orderly transition was made from a part-war to a peacetime economy. American industry maintained a high level of activity without artificial Government stimulus.

Most elements of our economy showed surprising strength. The construction industry, both public and private, established a new record. Housing starts, for example, were 10 per cent above my own forecast last January, which was considered by many as extremely optimistic.

Capital expenditures by all industry reached a total of 27 billion dollars, a near-record figure.

Consumer disposable income was at a record level, and total consumer spending rose throughout the year. Employment remained high.

While the final figure is not yet available, it is estimated that the gross national product for 1954 was the highest for any peacetime year and within 2 per cent of the 1953 all-time record.

This demonstrates conclusively that American industry has the capacity and the leadership to keep the economy strong and virile.

Naturally, I am pleased that the 1954 results have confirmed my estimates. Probably it would be better for me if I did not risk further my amateur standing as a business prophet.

However, I think all of us are interested in the future. We should be because, as my good friend, Mr. Kettering, puts it, that is where we are going to spend the rest of our lives. So, once again I shall discuss the prospects for the year ahead as I see them.

I suspect it will come as no surprise to you that I am optimistic about business generally in 1955. Here are the reasons:

The elements of strength in the economy are more discernible today than they were in January, 1954.

Of greatest importance is the widespread public confidence, which is in sharp contrast to the caution that prevailed a year ago.

I believe a high level of employment will be maintained in 1955. The work week should be somewhat longer than in 1954. Personal incomes will rise, and consumer disposable incomes will be at record levels. With confidence prevailing, consumer spending will be substantially higher than last year.

Capital expenditures by business should hold at the near-record level of 1954. The need for modernization and expansion is urgent and continuing.

The construction industry is expected to better even its amazing record of 1954. Housing starts should exceed 1,200,000. More schools, hospitals and other public buildings, as well as many private projects, will be built.

Highway expenditures in 1954 have reached a total of about 6 billion dollars. Estimates indicate that this year they will reach about 7 billion dollars. This represents progress, but a realistic appraisal shows that we are moving ahead much too slowly. The best authorities agree that we must invest at least 10 billion dollars a year for the next 10 years to get the safe and efficient highways this country needs.

While the prosperity of the nation is not dependent on war or defense expenditures, there is no indication that such expenditures will recede from the level of about 40 billion dollars currently required for the security of our nation.

Other expenditures by the Federal Government will continue to be substantial, although we have every reason to anticipate a decline from the present high level. In the event of such a decline, there should be a corresponding reduction in the tax burden. This in turn will release additional funds for consumer and corporate spending.

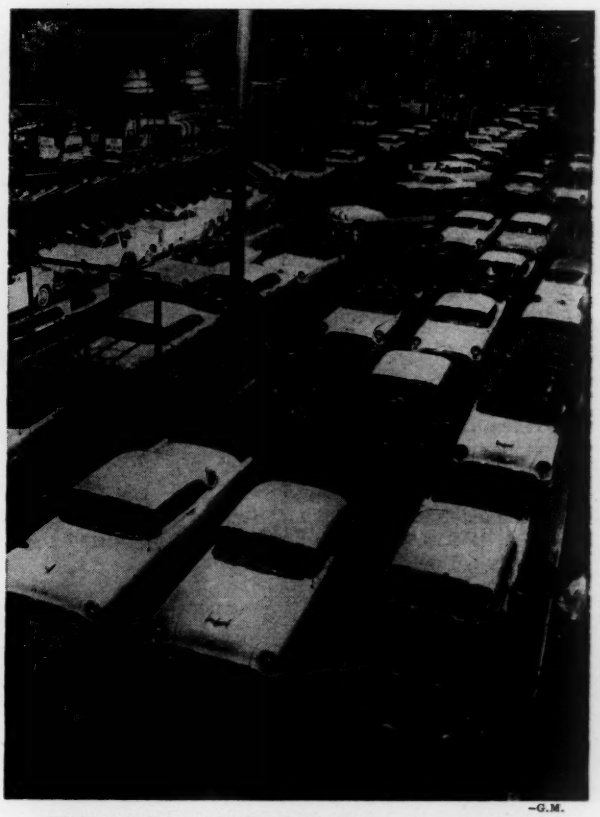
A world-wide strengthening of national economies is clearly evident. I was greatly impressed with the economic recovery of England and six European countries which I visited last fall. To cite one example, automobile production abroad has reached an all-time high. Our three overseas manufacturing operations in England, Germany and Australia produced 353,000 units last year, an increase of 36 per cent over 1953. The increasing productivity and prosperity of the free world contribute added strength to our own economy.

So much for the broad economic background as we enter 1955.

And now I would like to talk about the industry with which I am most familiar. To my mind it is unique. There is no other industry like it.

The history of some industries is that after early development and growth, the design and use of their products become stabilized. Such industries no longer contribute to further stimulation of the economy or to a further rise in living standards.

The automobile industry presents a sharp contrast to this pattern. Here is an industry already over 50 years of age. For 50 years this industry has been able to make an ever increasing contribution to the economic advancement and well being of the nation. Billions of dollars have been expended to capture the favor of customers.



—G.M.

"THE ANNUAL MODEL CHANGE has been the most important single factor" in the industry's growth

And now, after 50 years, it is showing the greatest vigor and vitality in all its history. This year the industry has come forward with the most outstanding products ever offered to customers.

That is a truly amazing accomplishment. It reflects as nothing else could the youthful state of our industry.

Nowhere in the world has any industrial group demonstrated such faith in the economy of its nation or such confidence in its own future as has the automobile industry.

What has charged our industry with such vitality? What is responsible for its dynamic growth?

It is my considered opinion that the annual model change has been the most important single factor responsible for the growth and vitality of our industry. It has stimulated competition and speeded technological progress. Efficiency has

been increased and the level of buying power raised. The industry has grown. Employment has mounted. And, finally, the annual model change has made available a sufficient number of used cars—good used cars—to bring individual transportation within the reach of nearly everyone.

The 1955 models offered by our industry reflect in abundant measure this tremendous force.

For General Motors to bring its 1955 models to market required an outlay of more than 600 million dollars. That is nearly *twice* the amount spent for the 1954 models. It is evidence of our determination to maintain General Motors' leadership in engineering, styling and value for the customer's dollar.

* * *

Now for a summary of the business outlook for 1955 as I see it.

It is my belief that this year our national economy will reach a new peak.

I foresee a gross national product in the area of 370 billion dollars. That would be an increase of about 3 per cent over the estimated level for the year of 1954, and somewhat in excess of the record reached in 1953.

Against this encouraging backdrop and provided we continue to enjoy labor peace, our industry should produce and the domestic market should absorb approximately 6,800,000 passenger cars and trucks. Unit production, including Canada and for export to other markets, should approximate 7,600,000 cars and trucks.

For General Motors I estimate that in 1955 unit sales of passenger cars will be the highest in our history. I estimate that our sales in dollars again will approximate 10 billion despite the fact that our defense deliveries will continue to decline and will account for less than 10 per cent of our total volume.

Now for a look to the more distant future. Just as our research laboratories, engineers and stylists work years ahead, so we make it a practice to appraise and anticipate the markets for our products in the years ahead.

Our studies indicate that sometime in the early 1960s our country should achieve a gross national product of 500 billion dollars.

We find that by 1962 population may total 184 million, almost 20 million more than today. Number of households should increase from 48 to about 54 million, creating a tremendous new demand for homes, motor vehicles and other goods and services.

Assuming maximum utilization of the country's economic resources—in other words, full employment—it is estimated that disposable personal income might well be about 40 per cent higher than today.

Motor-vehicle registrations now total about 58 million. With disposable income up 40 per cent we estimate that by 1962 there may well be over 75 million vehicles registered, an increase of more than 30 per cent.

Last January I announced a billion-dollar expansion program to provide us with facilities to keep pace with the growth of the market for our products as we appraise it.

You will recall, when I made the announcement, Mr. Sloan [Alfred P. Sloan, Jr., board chairman of General Motors] remarked that, based on his long experience, such programs always tend to increase and that before we got through with ours it probably would run to a billion and a half dollars.

Mr. Sloan's crystal ball was good, because that is just what has happened. The program has grown to 1.5 billion dollars.

Capital expenditures for this program in the past year reached a total of 750 million dollars. Expenditures for 1955 under this program are estimated at 500 million. The remainder will be expended in 1956. This does not include 200 million dollars which we have authorized for modernization and expansion of our facilities in Europe.

When this program is completed, General Motors will have expended in the United States and Canada alone 3.5 billion dollars for capital investment since the end of World War II. This is in addition to very substantial expenditures for special tools during this period.

General Motors' capital expenditures, of necessity, will continue at a substantial rate, both to keep our facilities and products modern and to assure General Motors adequate capacity to keep pace with our appraisal of the normal growth of the market for the corporation's products.

By so doing we are making an important contribution to security and opportunity for thousands of men and women. Just as an example of how job opportunities in General Motors have grown, here is what has happened since 1940—the last prewar year and a year of good business for us. In 1940, we had 233,000 employes on our payrolls in the United States and Canada. As of today our employment totals 520,000, an increase of 287,000 good jobs in only 15 years. Worldwide General Motors employment now stands at 600,000.

The addition of 287,000 men and women to our General Motors payrolls in the United States and Canada in only 15 years proves that technological improvements do not wipe out jobs. The impact is exactly the opposite. Technological improvements create jobs. The whole economy benefits.

Some people are now referring to technological improvement as "automation." Do not be confused by this new word. It is just another term for a process that has been largely responsible for the rising standard of living to which the automobile industry and mass production have contributed so much.

The willingness of the automobile industry to undertake large capital investments for new and improved facilities—as well as for new and improved products—has brought the industry, over the span of a single lifetime, to its present stature. The industry has become the greatest single contributor to the strength of the national economy. It has given our people an individualized means of transportation enjoyed by no other people on earth.

Such progress must and will continue to insure the creation of still more and better job opportunities. Only by such progress can the automobile industry continue to make its maximum contribution to the expansion of the national economy.

We in General Motors will continue to make our maximum contribution.

I am sure others are determined to do likewise.

It is most heartening, too, that President Eisenhower has been quick to recognize the role our highways must play in the continuing expansion of the national economy. In my opinion, nothing is more vitally needed in this country to open up new frontiers for business than the construction of new highways and the modernization of our present inadequate and obsolete highways.

It costs our country several billion dollars each year to operate under existing antiquated road conditions. We still are trying to move 1955 traffic of 58 million vehicles over highways designed for half that number. What will happen when our vehicle population rises to the 75 million estimated for 1962?

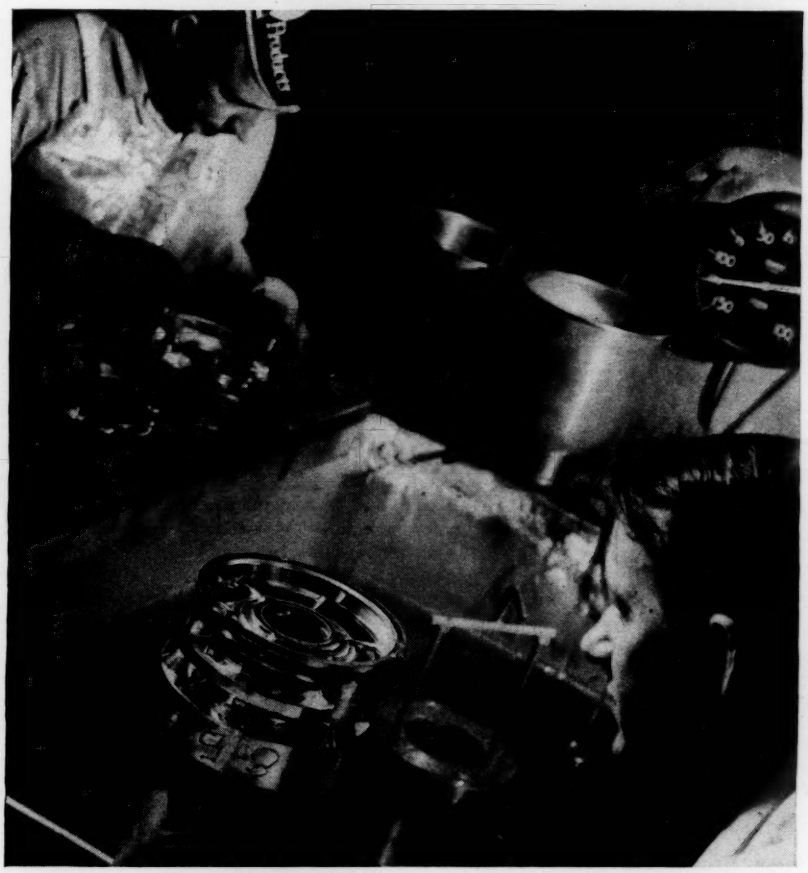
Fortunately, the President has taken the lead in proposing a 10-year program which contemplates doubling federal, State and local expenditures to provide a modern and efficient network of highways. In order to accomplish this, outlays over the 10-year period must reach an estimated 100 billion dollars.

When completed, this farsighted program will represent a capital investment in facilities just as necessary and desir-

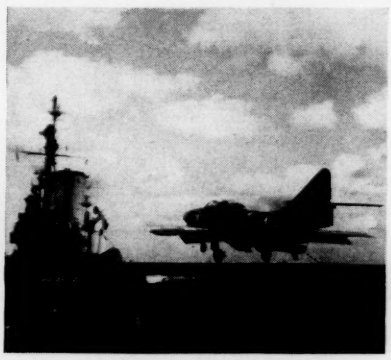
(Continued on page 142)

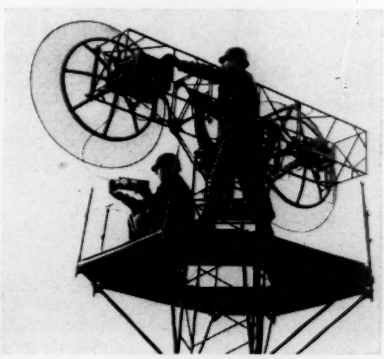
Thompson starts making this aircraft part at 125° below zero

PARTS "IMPOSSIBLE TO CAST" NOW MADE BY FREEZING MERCURY



The Thermometer Reads 125 Below. To prevent "cold burns" the workmen are wearing heavily insulated gloves. The frozen pattern for the aircraft part is being inspected before the casting mold is made.





Jets and Radar Require Intricate Parts made by Thompson's Intricast Method. Jet engines contain thousands of blades. Many are hollow and with internal ribs for strength. Radar equipment must have parts with sharply-angled internal passages for current. Before the frozen mercury process was developed, jet blades and radar castings were too costly and could not be made fast enough.

THE PICTURE SHOWS Thompson workmen removing an important airplane part from a bitterly cold bath. The part is actually only a "pattern" and will never be put into a plane. In fact, it will very soon become only a puddle of quicksilver. But it is the first step in making the finished part that helps power our jet planes.

The knife-sharp edges, sharply-angled inside walls, and the extremely close tolerances required are possible in the finished products only by using this form made of frozen mercury. Any other method is too slow—too costly.

This frozen mercury "part" is repeatedly dipped in liquid clay to form the finished mold. As soon as the fire clay hardens, the mercury melts and runs out, leaving a mold accurate to thousandths of an inch. Into it will be poured the molten metal, making the actual part that goes into the plane.

This example of Thompson's creative engineering is typical of the ingenuity constantly at work improving your car or tractor, the bus, train or plane you ride in, or the trucks that serve you in so many ways. In all industry, from automotive and aviation to home appliances and electronics . . . companies large and small *count on Thompson* for help on hard-to-solve problems and hard-to-make parts. Thompson Products, Inc., General Offices, Cleveland 17, Ohio.

You can count on

Thompson Products

MANUFACTURERS OF AUTOMOTIVE, AIRCRAFT, INDUSTRIAL AND ELECTRONIC PRODUCTS.
FACTORIES IN FIFTEEN CITIES.

able as are the capital investments made by industry. It will increase the productivity of our highways just as improved plants and equipment increase the productivity of industry.

Modern and efficient highways will strengthen our military and civil defense. They will make it possible for the vehicles needed for our growing country to render the full transportation service built into them. In their construction and in their use, modern and efficient highways will prove a tremendous stimulant to the ecenomy. They will make a most vital contribution to safer driving.

Nothing ever undertaken in this country can match this program envisioned by the President and his advisers. Its beneficial effects will multiply endlessly to reach every business and every household in the nation. It deserves vigorous support on the part of every citizen.

Bold planning such as this provides the impetus that keeps our economy on the march forward toward ever new frontiers.

The old frontiers of geography have disappeared, but their place has been taken by frontiers in science and industry whose horizons are limitless.

Never have the opportunities for progress been greater than they are today.

Given a world at peace, sound national policies and a people willing to work for the things they want, we can look forward to an ever more dynamic and prospering national economy. That is the goal to which we in General Motors are dedicated.

"PLAN BOLDLY," ADVISES GM CHAIRMAN SLOAN

Following is an excerpt from an address by Alfred P. Sloan, Jr., board chairman of General Motors, at the luncheon in New York City on Jan. 17, 1955, at which GM President Curtice, quoted above, had spoken earlier:

Gentlemen, you may recall that last year we took pride in telling you that General Motors for the first time had crossed the 10-billion mark in annual sales. That was quite a record. We were proud of it. We also reported to you last year we had the biggest fire in industrial history. We weren't proud of that. Those things will happen. Since then, we announced in November that we had produced 50 million automobiles. I know you know that, but I want to make a point in relation to it.

The interesting thing is it took us 32 years to make the first 25 million automobiles and 14 years to make the second 25 million. Now, how long it is going to take us to make the third 25 million, I won't make a prophecy. That belongs to Mr. Curtice, but I venture to say it will be less than eight years.

Gentlemen, in General Motors, there seems to be an unending list of opportunities to invest money profitably—not always in expansion, but to do the job better and more efficiently and strengthen the position of the corporation. When you are operating on the level that we are, in volume, it takes an awful lot of money to do those things.

Mr. Curtice told you we are investing, under our present program, 3.5 billion dollars in expansion and development. We are really getting into competition with the life insurance companies as far as dollar volume is concerned. We are financing that, of course, through depreciation and through 2 billion dollars retained from earnings.

Last year we reported to you that we sold 300 million dollars of debentures, and this year we are coming to our shareholders for 325 million dollars in increased equity value. Now that represents, in a way, the financial side of the physical expansion that Mr. Curtice talked about. I don't know what we are going to ask next year, but certainly, as the years go on, the opportunities of expansion and development will continue to be tremendous.

Mr. Curtice referred briefly to foreign activity. It is interesting for me to observe that since World War II there has been an enormous expansion of automobile production in England and Europe and other parts of the world. Through the '20s and through the '30s there was some increase, although rather superficial. But now a great upsurge of production is taking place, and we are investing something like 200 million dollars in production facilities, in England and on the continent of Europe and in Australia.

Going back to the middle '20s, it seemed clear to me that the time would certainly come when this country could not export automobiles very generally throughout the world as it was at that time. Ninety-five per cent of the cars in use in Australia were American-made cars. So, we began to develop ways and means whereby we could produce in the countries where the economy was sufficient to support automobile production the cars that were needed in that country. The 353,000 cars that Mr. Curtice mentioned would never have been produced by General Motors unless we had moved forward in 1929 and forecasted what was certain to happen.

Mr. Curtice has laid down in his forecast for 1955 a very sound concept of the underlying facts and circumstances that justify his projection. I'd like to suggest two things that he didn't mention which to my mind are important.

In the first place, there is the great underlying power of scientific discovery and technological improvement. But while I am before a representative group like this I would like to make one comment on the advancement of science. We in this country—and I think what I will say is very generally agreed upon—are not doing the basic research we ought to do in support of our applied research and our advance engineering. We have got to expand our facilities for basic research. For some reason or other we have not been able to fire the imagination of our able young men and women to devote their lives to basic investigation. We must do a better job in that particular.

The other thing is the economic climate in which business is now operating. For over 20 years, we had all kinds of discouragement from the standpoint of national economic policy, repression of industry, lack of appreciation of the great force and power of expanding the economy. That is now finished and, as I forecasted last year in supporting Mr. Curtice's program of a billion-dollar expansion, I make the point that we are entering an era where business will be encouraged by more incentive, eliminating the things that have held us back for so many years.

My plea to you gentlemen in closing our luncheon today is this: Let us plan boldly in expansion and development. Don't let's wait until the thing is before us. Let's forecast that it is going to happen and let's go ahead and do the job before it happens. In that way, the job will be done in a bigger and better way than otherwise will occur.

You recall that the President of the United States came out with a pronouncement some few weeks ago urging that industry move forward with courage and conviction. All the stage is set for a great expansion if we will only get busy and do the job. All it needs, gentlemen, is a little foresight and courage to bring into operation the forces that Mr. Curtice has mentioned—and I am sure it will lead to higher standards of living, great productivity and a better America for all.

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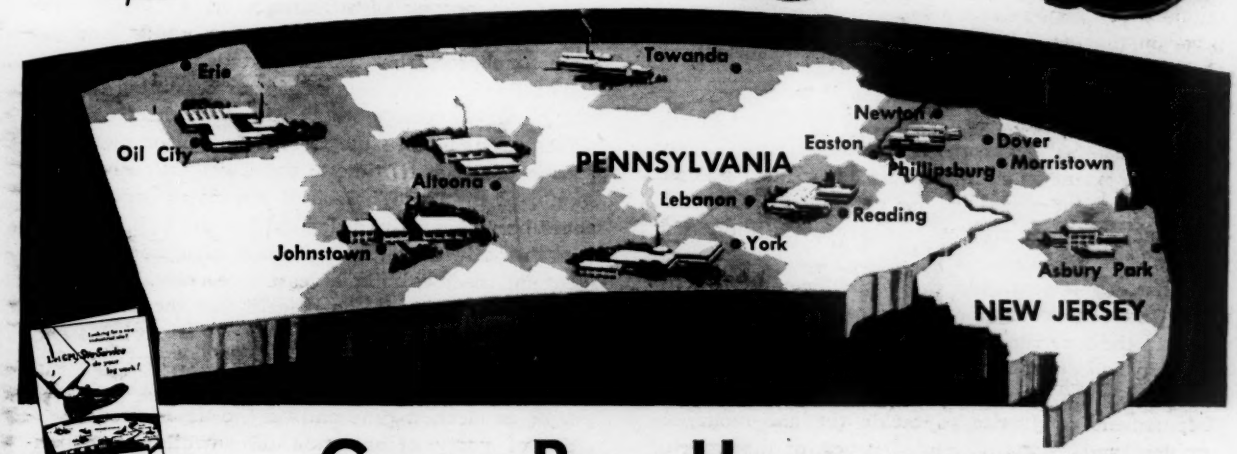

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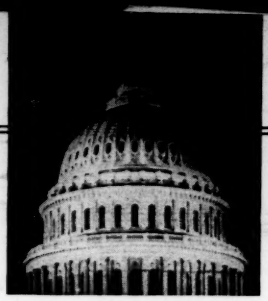

AFTER TWO YEARS

BY DAVID LAWRENCE

HOW DOES ONE APPRAISE an Administration at the half-way mark? How is progress to be measured? Is it by watching the changes in the Gallup poll on the "popularity" of a President? Is it by comparing the vote cast for the two parties, respectively, in the congressional elections at midterm?

These questions suggest that we are in the habit of thinking of an Administration in terms of a man rather than of an institution. Most of the politicians, for example, are agreed that, if Dwight Eisenhower had been running in November 1954, the result would have been somewhat different. The latest poll, moreover, shows a sharp upward swing in Mr. Eisenhower's popularity.

But the Administration is more than just one man. It is a large group of officials whose responsibilities in the aggregate can be so exercised as to affect, favorably or unfavorably, the lives and property of the citizens not only of this country but of many other countries.

The newspapers necessarily give a sketchy account of what an Administration does from day to day. The sensational things get the headlines because they are news of maximum interest on subjects that are readily understood. But the unspectacular may prove in the end to yield even more sensational achievements.

Thus, the outstanding job done by the Treasury Department in putting the Government's finances in order has provided a favorable climate and incentives for business expansion which could benefit eventually every man, woman and child in the country.

Likewise, the thorough and painstaking reorganization of the Internal Revenue Service, with a program that seeks fairness for the taxpayer and the Government, is in its early stages but in the course of time can mean much larger receipts of tax money.

The Department of State, with its far-flung tasks, is unlike the other departments because it is dependent to a large extent on circumstances beyond its own control—the attitudes and actions of other governments. But here, too, some progress has been made in undoing past mistakes.

Other departments, like the Post Office and Agriculture, have made significant improvements in operation. In the long run, these will have a profound effect on many aspects of our economic life.

As one surveys the earnest efforts being made at the Department of Justice to tackle the anti-monopoly problem and a host of related issues, or the work of the Department of the Interior, with its complex obligations in the field of natural resources, one is inclined to say that important beginnings have been made toward constructive solutions of vital problems.

A start has been made by the Department of Defense toward reorganization, but the new policies have not yet been tested in an emergency.

Perhaps the most interesting experiment is in the Department of Health, Education and Welfare, where a number of sociological programs are in process of being explored. But the theme here is practicality, just as it is through the whole Eisenhower Administration.

It was Emerson who, in his "Essay on Politics," wrote a century ago: "Of the two great parties which at this hour almost share the nation between them, I should say that one has the best cause, and the other contains the best men."

This is but another way of saying that one party has a lot of good ideas, but the other party has the men who know how to make them effective and practical.

On the whole, the Eisenhower Administration has brought to Washington a great "team." But it is an unpolitical group, with a tendency to compartmentalize its talents.

It is in the over-all policy-making process that there are glaring weaknesses. The principal weakness, strangely enough, is at the White House, where the President, with the characteristic habit of a military man, is inclined to delegate important tasks to staff personnel to work out. The system is faulty, because most of those on the staff have never come up through the ranks of government service to be colonels and generals, with a sense of accountability. Yet these inexperienced staff members write memoranda and set forth conclusions that become presidential decisions.

The Presidency today is, of course, too big for any one man. We shall not overcome the defects in our present system until the Cabinet of ten or more persons gives all of its time to the Chief Executive. This should be his "staff." Each of the major departments could be managed by a deputy, but the Cabinet members themselves should have offices alongside the President and meet with him at least once a day.

After two years, it can be said that the Eisenhower Administration has made a good start. But it has a long way to go and will be successful—if it stays in office long enough. Yet tenure depends on the whim of the people at election time and on the time-tested necessities of party organization. Meanwhile, an experienced body of Democratic Party strategists has begun the battle of 1956.

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